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WORLD NEWS

Anti-aircraft gun found by Irish police

A heavy-calibre Russian anti-aircraft machine gun capable of shooting down a helicopter two miles away was yesterday found in undergrowth in County Laois, 70 miles from Dublin, during a police hunt for IRA arms.

Helicopter ditches in sea

Sixteen passengers and two crewmen were rescued after a helicopter made a controlled landing in the North Sea, 70 miles off the Norwegian coast, after developing rotor problems.

Call for Mandela release

Foreign Secretary Sir Geoffrey Howe, West German Chancellor Helmut Kohl and Australian Premier Bob Hawke called on the South African Government to release black leader Nelson Mandela, who celebrates his 70th birthday on Monday, in Johannesburg.

Flight delays warning

Industrial action by foreign air traffic controllers is likely to continue to cause long delays at airports this weekend. Page 4

Soviet tax plans rebuffed

Soviet ministers rejected plans to impose tough taxes on the emerging private sector. Back Page

Protests flare in Yerevan

Protests were reported in Yerevan, capital of Soviet Armenia, and flights from the airport were disrupted after a documentary portrayed nationalist demonstrators as hoodlums. Page 2

20 die in Kabul attack

Rebels fired missiles at Afghanistan capital Kabul, killing 20 people and wounding 34. Soviet news agency Tass said. Page 2

Israel closes schools

Israel ordered the closure of all 1,200 schools in the occupied West Bank next week in an attempt to curb Palestinian student protests.

Police in bomb alert

Bomb disposal experts were called in after a package attached to a car parked near a police station in Walsall, West Midlands, "partially exploded." There were no casualties.

McAvoy to lead teachers

Doug McAvoy, 49, is to succeed Fred Jarvis as general secretary of the National Union of Teachers on his retirement in September next year. Page 5

US naval crew rescued

Three US naval crew, missing since their twin-engine aircraft crashed into the South China Sea on Tuesday, were rescued by a Vietnamese ship.

Better weather

Bookmaker William Hill is offering odds of 5/1 against predicting the next 48-hour dry spell in London. The last one was June 23 and 24.

BUSINESS SUMMARY

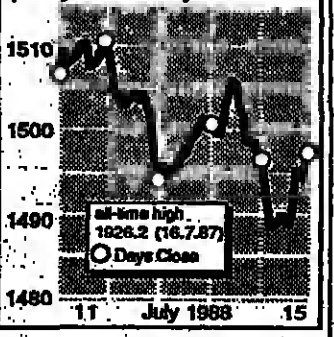
Courtaulds sells South African arm

COURTAULDS, UK chemicals, textiles and fibres group, is raising £207m cash from the sale of its South African and Swazi woollens interests to a consortium led by Sappi, South Africa's largest pulp and paper group. Courtaulds said the sale was for commercial reasons. Back Page

INTERNATIONAL BUSINESS

Machines, world's largest computer manufacturer, reported a \$100m (\$80m) rise in second-quarter net earnings to \$1.3bn following introduction of new product lines and moves to cut costs. Page 10

FT Ordinary Share Index



This week has seen the index fall 10.8, with signs of renewed concern over domestic interest rates. Yesterday's rally included technical bear-covering ahead of the close of the trading account.

BOND

Corporation Holdings, Australian brewing and media concern, gained approval to increase its stake in Robert Holmes & Court's Bell Group. Page 10

YALE AND VALOR

UK, locks and household appliances group, was forced by a dispute involving a former director to postpone its annual general meeting for next Wednesday, until September 1. Back Page, Page 8

UK Department of Trade

and industry officials moved to wind up London-based investment business, Rev Services, on grounds of insolvency. Page 3

CABLE & WIRELESS

chairman and chief executive Sir Eric Sharp had his pay cut by 20 per cent last year to £208,000, according to the international telecommunications company's annual report. Page 8

LIT HOLDINGS

UK futures and options brokerage group, announced pre-tax annual profits of £3.5m against £2m on income up from £44.2m to £50.1m following last October's stock market crash. Page 8

HONG KONG Stock Exchange

former chief executive Jeffrey Sun was charged in the territory's central court on three counts of accepting shares as an inducement to support the public flotations of two local electronics groups. Page 2

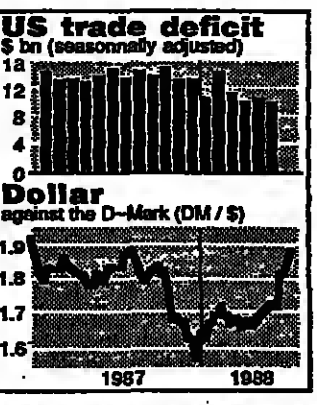
BAT Industries

US insurance regulators in Oregon said in a ruling refusing permission for the tobacco-based multinational to buy Farmers Group, Los Angeles-based insurer, that they had grave doubts about BAT's ability to manage Farmers without damaging policyholders. Back Page, Page 8

Improved trade figures boost dollar but fears of overheating remain

BY ANTHONY HARRIS IN WASHINGTON, JANET BUSH IN NEW YORK AND RALPH ATKINS

THE US DOLLAR rose strongly on foreign exchange markets yesterday in response to better-than-expected US trade figures which showed the seasonally adjusted deficit up by \$627m (\$577m) in May to \$10.9bn.



The dollar surge prompted widespread central bank sales of dollars to brake the currency's rise. But because figures for producer prices and industrial output, also published yesterday, did little to remove fears of possible overheating in the US economy, stock and bond markets did not respond to the dollar's strength.

The US trade gap, which was slightly narrower than market forecasts averaging \$11.5bn, showed continued strong growth of exports and some slowing of imports, especially of cars. However, the increase in the deficit from April's figure was almost entirely due to a reduction in stockpiling of gold bullion purchased from the US, mainly by Taiwan.

The relatively strong trade performance was achieved before the beginning of the current rise in the dollar, which could give some further boost to the trade figures in future months. Mr Clayton Yentzer, the US trade representative, said yesterday that the figures showed that the

worst of the US trade deficit was now over. However, the strains within the US economy showed up in a \$1bn rise in imports of industrial supplies and materials, and a \$450m fall in exports in the same categories.

Mr Alan Greenspan, chairman of the Federal Reserve Board, the US central bank, singled out these intermediate goods categories when he warned of possible overstrain in his evidence to the Senate Banking Committee earlier this week.

The producer price statistics showed a similar pattern and also reflected the first impact of

the current drought, thought to be the worst in US history. The price of food materials for processing jumped by 6.8 per cent in the month and the price of consumer foods by 1.1 per cent. However, these increases were generally expected.

The supply constraints are also revealed in the new Federal Reserve figures for industrial production, which show an increase of 0.4 per cent in June to show real growth of 5.3 per cent over the last year.

The trade figures led to the dollar rising in London by almost three pence against the D-Mark to its highest level since August 1987. Intervention by individual central banks in Europe amounted to hundreds of millions of dollars, European officials said.

There were reports of intervention by the Bank of England, the West German Bundesbank and central banks in Austria, Belgium, Switzerland, Italy and the Netherlands as well as by the US Federal Reserve.

The Fed intervened steadily. Continued on Back Page

Editorial Comment, Page 6; World Stocks, Page 11; London Stocks, Page 12; Money Markets, Page 12; Lex, Back Page

Inflation jump increases pressure on base rates

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

PRESSURE ON the Government to allow a further rise in the cost of borrowing grew yesterday in response to news of a jump in Britain's inflation rate last month and a sharp fall in the pound's value against a surging dollar.

On the London money markets interest rates rose to a level which signalled a rise in base rates from the present 10 per cent to at least 10.5 per cent.

The Bank of England, however, resisted pressure for an immediate rise in bank base rates and the Treasury gave no clues as to its likely strategy next week.

Official figures showed a rise in the inflation rate from 4.2 per cent in May to 4.6 per cent in June came at the end of a week in which a series of official statistics had underlined the still-rapid growth in Britain's economy.

The Department of Employment said that a 0.4 per cent rise in the retail prices index in June was in large part a reflection of higher electricity and gas costs

and a rise in car and petrol prices. A further acceleration in the annual rate is expected over coming months as higher mortgage interest rates begin to feed through to the index and favourable developments at the same time last year fall out of the year-on-year comparison.

Many City economists expect that the annual rate will rise to over 5 per cent in coming months, with some predicting a further acceleration to as high as 6 per cent in the early part of 1989.

Mr Norman Fowler, the Employment Secretary said yesterday, however, that the Government had made it clear that it was not prepared to take risks with inflation and had already raised interest rates.

A possible further rise in base rates to cool the pace of spending and borrowing, has been discussed in the Government but a final decision rests with Mr Nigel Lawson, the Chancellor. Retail

price inflation is now at its highest level for 2½ years but cost pressures in manufacturing industry are being tempered by rapid growth in productivity.

Any decision on borrowing costs may also depend on whether the dollar's gains in response to yesterday's US trade figures are sustained next week and whether they prompt a further rise in West German interest rates.

Financial markets will also be watching closely next Wednesday's figures for the growth in the money supply during June, which are expected to show an acceleration in the growth rate of the narrow money supply measure M0.

Yesterday the pound fell 2.6 cents against a stronger dollar to \$1.6635 and registered fractional losses against several smaller European currencies. It was unchanged against the D-Mark at DM13.19, while the sterling index fell 0.5 points to 74.6.

Inflation feature, Page 4

MARKETS

DOLLAR
New York lunchtime: DM 1.877
FRF 6.326
SFR 1.5545
Y135.3
London: DM 1.876 (1.847)
FFY 6.325 (6.325)
SFR 1.5545 (1.5815)
Y135.25 (135.15)
Dollar Index 99.4 (98.1)
Tokyo close: Y133.4

US LUNCHTIME RATES
Fed Funds 7½%
3-month Treasury Bill: yield: 6.92%
Long Bond: 9½%
yield: 9.16%

GOLD
New York: Comex August: \$441.3 (439.8)
London: \$438.25 (440.0)

STERLING
New York lunchtime: \$1.6615
London: \$1.6635 (1.6665)
DM 3.12 (same)
FFY 10.52 (10.53)
SFR 2.585 (2.5875)
Y225.0 (same)
Sterling Index 74.6 (75.1)

LONDON MONEY
3-month interbank: closing rate 10¼% (10¼)

NORTH SEA OIL
Brent 15-day August (Argus): \$14.225 (14.05)

STOCK INDICES
FTSE 100 1,861.5 (-1.8)
DAX 1,877.5 (+0.8)
FT-A All Share 968.55 (-0.1)
FT-A long gilt yield index: High coupon: 9.53 (9.49)
New York lunchtime: DJ Ind Av 2,107.88 (-5.89)
Tokyo: Nikkei 27,913.79 (-170.28)

SELLING PRICE IN IRELAND 60p
Austria \$22; Belgium 21.50; Denmark 21.50; France FF4.50; Germany DM2.25; Greece 12.50; Hong Kong HK\$2.25; India Rupee 15.50; Israel 183.50; Italy Lira 1,337.50; Japan Yen 136.50; Korea Won 200.00; Luxembourg LFr. 40.00; Malaysia RM. 4.25; Mexico Ps. 20.00; Netherlands Fl. 2.00; Norway Nkr. 4.75; Portugal Escudo 200.00; Singapore S\$ 1.20; South Africa Rand 1.50; Spain Ptas. 166.67; Sweden SEK 8.00; Switzerland SF 2.20; Taiwan NT\$25; Thailand Baht 50.00; Turkey Lira 1.50; UAE Dir. 2.00; USA \$1.00.

It's not cricket say bat makers

By Peter Montague, World Trade Editor

AFTER POLISH golf carts and Austrian ski, English cricket bats have joined the list of export equipment of which international trade disputes are made.

The Department of Trade and Industry said yesterday that the UK industry had prompted it to raise the subject of unfair trade in cricket bats in multilateral trade liberalisation talks under way in the General Agreement on Tariffs and Trade in Geneva.

British bat manufacturers are worried by competition from India and Pakistan which, they say, are using their status as developing countries to keep out imports of British bats while undercutting British producers in third country markets such as Australia and New Zealand.

Mr Stanley Lowy, chief executive of Gunn & Moore, one of the leading manufacturers, said the industry faced a shake-out unless its problems were addressed. "We regard it as grossly unfair competition."

Though small in volume terms - the UK trade deficit in cricket bats amounts to only £100,000 on exports of £1.4m - trade in

cricket bats is beset by restrictions that represent a microcosm of the international trading system. These include tariff barriers reaching 150 per cent in the case of India, and regulatory curbs. They have been compounded by fears of a shortage of willow brought on by the spread of a blight called "ash dieback" which destroys the trees and has already attacked plantations in Holland.

India will not allow its Kashmir willow to be exported but it is able to buy English willow which any aspiring Botham knows is the essential base of a quality bat.

According to Mr Lowy, Indian makers use this wood to make bats prominently labelled as being made from English willow with the words "Made in India" printed in much smaller letters, often on the toe of the bat where it is easily rubbed off. These bats are sold to Australia and New Zealand at preferential rates of duty reflecting India's status as a developing country and with the benefit of a 12½ per cent export rebate from

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Bae shares rise after agreement on Rover deal

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

BRITISH AEROSPACE shares rose strongly yesterday as trading was resumed following the two-day suspension caused by the confusion over the company's proposed takeover of Rover Group.

The City reacted favourably to BAE's agreement to proceed with the takeover but also to the growing awareness that BAE stands to win a major share of the record UK arms deal with Saudi Arabia announced last week.

BAE is the prime contractor for the arms deal, which it is understood could be worth more than £200m up to the term of the contract, of which the aerospace group could account for more than £100m.

As trading resumed, BAE shares dropped from 47½, at which they were suspended, to 45½ before climbing quickly to close at 49½.

Very heavy volumes of more than 15m shares were traded as BAE moved fast to spell out the implications of the arms deal and to explain its last-minute hesitation before agreeing the Rover deal.

Trade unions yesterday welcomed the takeover but were quick to demand guarantees for jobs in the face of the disclosure by the UK Government to the European Commission that the Rover Group corporate plan calls

for a considerable reduction in vehicle assembly and component capacities in Austin Rover, the volume car operations.

Mr Chris Darke, national officer of MSF, the industry and services union which represents 24,000 manual and white-collar workers in BAE and Rover, said the union was on guard to "prevent wholesale restructuring and job loss."

Leaders of the Transport and General Workers Union have written to Professor Roland Smith, BAE chairman, and Mr Graham Day, Rover group chairman and chief executive, demanding guarantees on the future of Rover Group. These include continuing production at both the Cowley and Longbridge assembly plants.

Mr Andrew Smith, Labour MP for Oxford East whose constituency includes the Cowley plant where the South Works could be facing eventual closure under Rover group's plans for capacity cuts, said yesterday that "morale at the plant is at rock bottom."

City analysts were optimistic yesterday about the short-term financial implications for BAE of the takeover and had already taken into account a cut of around £250m in the £500m cash

Continued on Back Page
Man in the News, Page 6; Lex, Back Page

Kleinwort quits as water sale adviser

BY RICHARD EVANS

KLEINWORT Benson, the merchant bank, has thrown the water industry into confusion by withdrawing as adviser to the Water Authorities Association on privatisation because of a conflict of interest.

The withdrawal follows Kleinwort's agreement to advise the Government on the sale of the electricity supply industry. The likelihood that there will now be a simultaneous flotation in water as well as electricity, with the bank advising opposite sides, led to the decision to withdraw.

The surprise decision comes at an awkward time both for the WAA, which represents all 10 authorities in England and Wales, and for the Department of the Environment.

Kleinwort has been involved for months in the tortuous process of hammering out a flotation formula acceptable to the water authority chairmen, their separate advisers, and to the Govern-

ment. Agreement is near on a plan to sell all 10 authorities in a single flotation. It was this that persuaded the bank that there was a potential conflict of interest. When it agreed to advise the Government on electricity privatisation the bank's assumption was that the water authorities would be sold off in batches.

The likelihood that there will now be a simultaneous flotation in water as well as electricity, with the bank advising opposite sides, led to the decision to withdraw.

The WAA is now seeking a fresh adviser and Kleinwort has said it will assist in the interim period. The bank remains as adviser on privatisation to both the Northumbrian and Yorkshire water authorities.

The difficulty for both the

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Year	Annual Net Income	Value of original investment
Year 1	£ 51.19	£1005
Year 2	£ 58.52	£1038
Year 3	£ 60.97	£1077
Year 4	£ 67.32	£1160
Year 5	£ 70.24	£1259
Year 6	£ 75.05	£1322
Year 7	£ 80.33	£1433
Year 8	£ 97.05	£1892
Year 9	£ 138.17	£2214
Year 10	£ 165.49	£3271
Total Net Income Paid	£860.33	

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WEEKEND FT



BAD TRIP IN PARADISE
The Bahamas' image is being undermined by drugs-related crime and corruption. Report by Robert Graham. Page I

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When a dream home becomes a nightmare. Pages X, XIII

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Academic tenure: report by Christian Tyler. Gardening, Fishing, How To Spend It, Food For Thought, Wine Books, Saleroom and Nigel Andrus on the New Hollywood. Pages XVI - XVIII

SPORT
Ben Wright at the Open, and Michael Thompson-Noel on the big soccer row. Page XX

OVERSEAS NEWS

Last gasp for the embattled American smoker

BIC TOBACCO is hitting back. Hemmed in by bans on public smoking and stung by a recent court setback for the tobacco industry, Philip Morris is going on the offensive.

James Buchan reports on how the tobacco industry has gone on the offensive

For the past week, newspapers all over the US have been carrying full-page advertisements with the cigarette company's blunt message to Congress, business and the public: America's 56m smokers are a mighty financial power so don't mess with them.

families turn on 38m TVs, 750,000 CD players and 23m VCRs," says one ad. Another warns Detroit that American smokers own "enough cars to stretch bumper-to-bumper round the world four times".

sold \$7.6bn-worth of cigarettes in the US last year, with 35 cents of profit in every dollar of sales.

But this year has brought big reverses for the industry. In April, Congress banned smoking on short-haul airline flights and is now considering bills to ban all tobacco advertising and put new warnings on cigarette packets.

Earlier this year, RJR Nabisco, the number two in the market, astonished Madison Avenue by

firing Saatchi & Saatchi as its advertising agency for doing an anti-smoking advertisement for Northwest Airlines, which outlawed smoking on all its flights. But the Philip Morris campaign is the most strident effort yet by Big Tobacco to protect its great cash machine.

Mr Guy Smith, a Philip Morris vice-president, says the campaign has two main aims. "We want to make smokers aware they are part of an enormous group of people with great achievements. Smokers never thought of themselves as an interest group, because they were everybody: rich, poor, black, white. Now some of the more extreme anti-smoking crusaders are portraying them as a race of citizens and pariahs. We want to make

clear they are not. "The second aim is to convince private and public-sector decision makers that they ignore smokers at their peril. If you ignore them, you miss out on an awesome economic power."

But in just a week, the campaign has bemused Madison Avenue and led to a storm of hostility from anti-smoking campaigners and congressmen.

Mr Philip Dorf, an executive vice-president at Robert Marston Associates, a New York public relations agency, told Advertising Age: "To even suggest that smokers constitute a market, except for tobacco products, is really stretching the definition of a market." At a congressional hearing last week, Mr Thomas Luken, a Dem-

ocrat from Ohio who is pushing the bill for stricter warnings on packets, accused the industry of using "mafia tactics". Waving one of the Philip Morris advertisements before a House subcommittee, he said the campaign was "meant to intimidate a lot of people". Mr Jack Bernstein, a newspaper columnist, said: "This campaign strikes me as a last gasp."

Many American smokers may need more than a prod from Philip Morris to regain the confidence of their habit. A poll in New York City two weeks showed overwhelming public support for the new city law banning smoking in most public places. That was no surprise. The surprise was the 43 per cent of New York's smokers who supported the law.



EC set to sell beef and butter to Moscow

THE European Community is understood to be poised to sell much of its surplus beef and butter to the Soviet Union. About 200,000 tonnes of unwanted beef and 100,000 tonnes of butter are thought to be involved in the disposal, which represents by far the biggest "stock clearance" by Brussels this year.

No details of the prices being paid by Moscow were disclosed last night but substantial EC subsidies will be necessary to bridge the gap between the costs of buying the butter and beef - reflecting the high guaranteed EC prices - and the prices available on world markets. The emergence of the Soviet Union as a big customer for EC beef will come as a relief for the EC's market managers who have watched stocks rise to around 750,000 at the end of April from 570,000 at the beginning of 1987.

The measures taken by farm ministers at the end of 1986 to limit "intervention" purchases of beef have not had the impact hoped for and, combined with the widespread slaughtering which have accompanied the tightening of the milk quota regime, have resulted in more substantial meat surpluses.

The butter sale, meanwhile, is further evidence of the commission's success in cutting surplus stocks, which stood at 2.3m tonnes a year ago. The latest deal, like others made possible with the help of emergency short-term funds provided by the member states, is expected to keep the community on target for "manageable" levels of 250,000-300,000 tonnes by the end of the year.

The butter and beef sales are thought to have been negotiated by French traders, almost entirely by Michel Berning, son of the late businessman whose links with Moscow earned him the nickname of the "Red Baron".

Former HK stock market chief on corruption charge

BY DAVID DODWELL IN HONG KONG

MR JEFFREY SUN, former chief executive of Hong Kong's stock exchange, was yesterday charged in the territory's central court on three counts of accepting shares as an inducement to support the public floatations of two local electronics groups.

The charges follow almost 10 months of investigation by Hong Kong's powerful Independent Commission Against Corruption (ICAC) into corruption linked with stock exchange listing procedures.

Mr Ronald Li, the former chairman of the stock exchange and Mr Sun's boss, was charged in January with accepting an advantage from the leading Japanese construction company, Kumagai Gumi, when it was floated in Hong Kong. Mr Li is due to appear in court again on August 11, when ICAC investigators will report whether fresh charges are to be brought against him.

Mr Sun was accused yesterday of having accepted a beneficial interest in two allotments of shares in OPL, a manufacturer of integrated circuits and other elec-

tronic products, at the time of its flotation in January last year "as an inducement to or reward for allowing favour to the approval of the new issue".

In addition, he was accused of accepting a beneficial interest in 100,000 shares in Video Technology, a manufacturer of electronic educational games and "Laser" brand computers, at the time of its flotation in June 1986 as a similar inducement or reward.

Mr Sun made no plea, and the case was adjourned until August 11 "pending further inquiries by the ICAC". He was released on bail of HK\$2.15m (\$160,000) and was ordered to surrender his travel documents.

The charges against Mr Li and Mr Sun are based on evidence accumulated since September last year, and are not related to the collapse in Hong Kong's futures market and the closure of the stock exchange in October last year in the wake of the worldwide stock market crash.

Since October, reforms have nevertheless been initiated in both exchanges to restore international confidence in the local

securities industry. A comprehensive report by Mr Ian Hay Davidson on the weaknesses of the securities industry, published six weeks ago, said that Mr Li and other exchange committee members had been "an inside group that treated the exchange as a private club".

Since a number of committee members - including Mr Li and Mr Sun - were asked to "distance" themselves from the operation of the Stock Exchange in January, a temporary management committee has recommended broadening the membership of the exchange committee to include corporate and lay members. This recommendation is to be debated by stock exchange members next Wednesday.

New listing arrangements have been introduced, settlement procedures are being changed, and supervision tightened. A new securities industry watchdog is to be set up by September that will be outside government, and funded mainly out of stock market transactions.

UN seeks to mollify Iran on Airbus tragedy

By Our UN Correspondent

MEMBERS of the United Nations Security Council yesterday renewed efforts to draft a resolution on the Iranian Airbus tragedy, searching for a form of words that would not send Iran away empty-handed but would also avoid a UN veto.

The council president, Mr Paul Ngwenigwe of Botswana, said that the resolution or, failing that, a consensus statement. Diplomats said it might prove an uphill struggle and no results are expected until next week.

A UN aim is to avert a situation where Iran, which had boycotted council debates on the Gulf war for almost seven years on the grounds that the world body was biased, might use an impasse as a pretext for turning totally away from UN efforts to end the conflict.

On the other hand, the Reagan Administration would be bound to veto any resolution it considered unduly critical of the bombing down of the Iranian airliner by an American warship on July 3.

There is also a danger that the council will not be able to agree on any statement on the incident, which Iran would almost certainly see as a diplomatic defeat.

Most council members see the Airbus disaster as a potential opportunity to renew negotiations on implementing the council's unanimous resolution 598 calling for an "immediate" ceasefire, which will be a year old next Wednesday. To this end, Mr John Birch, the British delegate, yesterday welcomed the presence of Mr Ali Akbar Velayati, the Iranian Foreign Minister, in the council chamber for the first time this week. He said this offered a chance "to show him that our concern, our common concern, is simply to end the bloodshed".

Mr Birch said Britain reserved judgement on the Iranian Airbus case, pending an international investigation, but reaffirmed London's view that forces protecting Gulf shipping are entitled to exercise the right of self-defence.

Not unexpectedly, Mr Valentin Logzinskiy, the Soviet delegate, reiterated Moscow's demand that the US withdraw its fleet from the Gulf. He said Moscow had long warned that a major incident could result from the fleet's presence there.

At a UN press conference, Mr Velayati scoffed at President Reagan's offer of compensation for the loss of 290 lives in the downing of the airliner. He called it "a piece of charity" and observed that the US explicitly excluded culpability. He also repeated Iran's view that the attack on the Airbus was premeditated.

A US warship went to the aid of a Liberian-flagged tanker under fire from gunboats in the central Gulf yesterday but arrived well after the attackers had left, Reuter reports from Bahrain.

It was the second time in four days the US Navy had gone to help a ship under attack off Farsi Island, a long-time Iranian gunboat base.

George Logares, captain of the 8,599-tonne Sea Victory, said a "big American warship" and a helicopter sped to his aid.

Mandela reunion rejected as Pretoria cancels birthday party

BY ANTHONY ROBINSON IN JOHANNESBURG

MRS Winnie Mandela, wife of the jailed African National Congress leader Mr Nelson Mandela, last night reacted to a government ban on a weekend Mandela birthday concert by rejecting Pretoria's offer of a six-hour family reunion in Pollsmoor prison.

Her lawyer, Mr Ismail Ayob, told reporters: "Mrs Mandela does not want to accept special privileges from the South African Government and wants to focus attention on other jailed opponents of apartheid and those on death row."

Before the ban yesterday on the Soviet "peace concert" to celebrate Mr Mandela's 70th birthday, however, Mrs Mandela had indicated that she would accept the Government's offer.

Thousands had been expected

to turn up for the planned concert tomorrow. Now, instead of listening to top bands such as Sipho Hototicks Mabasa, Yvonne Chaka Chaka and the African Jazz Ensemble, people are expected to celebrate at special church services and in their homes.

In Cape Town, however, thousands of Mandela supporters are expected to take part in a "fun run" tomorrow.

The run will start close to Pollsmoor Prison, where Mr Mandela has spent the past five of his nearly 27 years in jail.

Ironically, Mr Kobie Coetsee, the Minister of Justice who detains under the emergency laws win remain in detention without trial two years after the emergency was re-imposed in June 1986.

He has talked to the jailed

leader in prison and is one of a minority of cabinet members who are believed to support his release.

Meanwhile, many local newspapers published birthday greetings paid for by supporters at home and abroad and the Catholic weekly New Nation published a front-page cartoon of a shadowy figure behind bars with the simple caption "Happy Birthday".

New Nation was banned for three months under the emergency regulations. Its editor, Mr Zwelakhe Sisulu, son of Mr Mandela's jailed lieutenant Walter Sisulu, is one of hundreds of detainees under the emergency laws win remain in detention without trial two years after the emergency was re-imposed in June 1986.

He has talked to the jailed



US Secretary of State George Shultz said yesterday he had not won a promise from Chinese leaders to halt ballistic missile sales to the Middle East, but that there are no indications of a firm sale.

Mr Shultz, seen here greeting Chinese leader Deng Xiaoping before their meeting yesterday, said afterwards: "We didn't come to any agreements about it... but I'm sure the subject will continue to be important to our agenda."

Communist Party chief Zhao Ziyang and Premier Li Peng were also present.

Asked about reports of a Chinese-Syrian missile deal, Mr Shultz said Chinese leaders had told him their only Middle East ballistic missile sales had been to Saudi Arabia.

The Los Angeles Times newspaper reported on Thursday that an agreement had been "consummated" under which Peking would sell intermediate range M-9 missiles to Syria.

Officials traveling with Mr Shultz have said the Chinese are believed to be marketing the weapons, which have a maximum range of about 370 miles, but that there are no indications of a firm sale.

The officials say the M-9, which could strike targets in Israel when fired from Syria, is at least nine months away from production and that a prototype is still being tested.

Mr Shultz said the US and China had "a very broad agreement on certain aspects of the Cambodian situation".

Today, Mr Shultz flies to Seoul, the seventh stop on a nine-country trip through Asia and the Pacific.

The US saw "some important prospects" for peace on the Korean peninsula, but he was vague about possible moves by Washington to normalise relations with North Korea.

Japan to raise defence spending

BY STEFAN WAGSTYL IN TOKYO

THE Japanese Government yesterday approved preliminary plans to raise defence spending by 5.1 per cent next year, more than double the proposed increase in the overall budget. Ministers also pencilled in a 9.4 per cent rise in overseas aid spending. The central government's total budget, excluding debt servicing, is planned to rise by 2.76 per cent.

The proposed increases reflect the growing importance Japan attaches to its influence in international affairs. The Government is committed to a five-year plan to build up Japan's defence forces - a scheme which has aroused some concern in neighbouring countries because of Japan's Second World War conquests. Japan has also pledged to increase overseas aid between 1988 and 1992.

Japan is spending ¥3,700bn (\$16.6bn) on defence in the financial year which began in March - 5.2 per cent more than last year.

However, the budget-making process will not be completed until the end of the year. Spending plans are likely to be revised considerably before then, amid horse-trading between ministries and parliamentary lobby groups.

Industrial output falls by 2.3%

JAPAN'S industrial output fell in May by more than expected, estimated, confirming that the pace of economic growth is slowing, Stefan Wagstyl reports.

May output fell by 2.3 per cent from April, not by 1.7 per cent as earlier calculated, the International Trade and Industry Ministry said yesterday. This followed a decline of 0.9 per cent in April.

Economists in Tokyo are not unduly alarmed, since a slowdown has been expected. A fall-off in house-building is largely responsible for the fall in growth. The Bank of Japan said yesterday that the money supply in June grew by 11.1 per cent, year-on-year, compared with an increase of 11.4 per cent in May.

Diet session called to settle tax reform row

BY CARLA RAPOPORT IN TOKYO

JAPAN'S cabinet ministers agreed to convene an extraordinary session of the Diet (parliament) next Tuesday aimed at settling Japan's long-running row over tax reform.

The decision followed an agreement between the ruling Liberal Democratic Party (LDP) and opposition parties that the two tax matters were made by the opposition party earlier in the week. The LDP secretary-general, Mr Shinzaro Abe, made the compromise suggestion that the Diet handle the tax cut issue first, thereby asking the opposition parties for their co-operation in smoothly opening the crucial Diet session.

per cent consumption tax. This remains a contested issue.

Prime Minister Noboru Takeshita has staked his political career on achieving the passage of the tax reform bill. As a result, the deliberations next week will be watched closely both inside and outside Japan.

The proposal to separate the two tax matters was made by the opposition party earlier in the week. The LDP secretary-general, Mr Shinzaro Abe, made the compromise suggestion that the Diet handle the tax cut issue first, thereby asking the opposition parties for their co-operation in smoothly opening the crucial Diet session.

World leaders' messages to Holocaust conference

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

FIVE heads of government or state, including US President Ronald Reagan, Mrs Margaret Thatcher of Britain, President Francois Mitterrand of France and Chancellor Helmut Kohl of West Germany yesterday sent special messages to a conference in London appealing to future generations not to forget the lessons of the Holocaust.

The international conference entitled "Remembering for the Future", the closing session of which was chaired by Mr Robert Maxwell, the British publisher, was addressed by leading Jewish and Christian scholars and writers of Holocaust studies, including Nobel Peace Prize laureate, Elie Wiesel.

One of the main messages of the conference was that Christianity, in particular, had not sufficiently recognised its shared responsibility for creating a climate of opinion that made the Holocaust possible.

President Reagan said in his message: "We can never have reminders enough about the tragedy that results when nations abandon their reverence for the sanctity of every human life and lose their respect for the individual and the rights, dignity and worth vested in each of us without exception." Mrs Thatcher said it was particularly important for those who

did not live through "those agonised years", to learn what had happened. "That knowledge will help people everywhere who are determined that nothing like this shall ever happen again."

Chancellor Kohl said that West Germans were prepared to live with "the terrible truth" of the atrocities perpetrated by the Nazi regime against the Jews, in particular, and that "by dint of its cold-blooded, inhumane planning and deadly effectiveness that crime of genocide has no precedent in the history of mankind".

"Germans became guilty of that crime as individuals, but they are collectively liable for the injustice committed in their name," Mr Kohl said in his message.

Speaking on the subject of "a Christian approach to the Holocaust and Genocide", Dr Franklin H. Littell of Temple University in the US, said the murder of 6m Jews is the heart of Christianity's continued to confront Christianity with "the major credibility crisis of its history".

Most church leaders in the Third Reich and its allies failed to live up to their ordination vows and, in the outside world, "the guilt of spectators" prevailed. "Millions of baptised were swept up in a heathen ideology, Nazism."

Afghan rebel attack kills 20 in Kabul

By Christina Lamb in Peshawar

AFGHAN rebels are reported to have killed more than 20 people in Kabul in the biggest attack since the Soviet withdrawal began.

The guerrillas fired at least 20 missiles into the capital, causing almost 100 casualties.

The resistance has tightened its grip on Kabul in recent weeks. This attack means the rebels are closer to the capital than ever.

They are thought to have been using Soviet-made rocket launchers, which would mean they are within six miles of the city.

Until now attacks on Kabul have been restricted to car bombs or single missile attacks from Mujaheddin who have infiltrated the city in small groups. Afghan authorities say 14 people were killed in such incidents last week.

To risk such a bold attack as that yesterday, the rebels must have consolidated their position in the hills around Kabul.

Reuter reports from Moscow: Tass, the Soviet news agency, denounced the attack, saying rumours had been put around blaming Soviet forces.

How could this be, the agency asked, when the Soviet Union had at heart the interests of "the simple people of Afghanistan".

Fresh protests flare in Yerevan

BY QUENTIN PEEL IN MOSCOW

NEW protests were reported yesterday from Yerevan, the strike-hit capital of Soviet Armenia, and flights from the airport were disrupted, after a Soviet television documentary portrayed nationalist demonstrators as hooligans.

Another huge rally was expected to take place last night in support of the campaign by Nagorno-Karabakh, the Armenian-populated enclave in the neighbouring Soviet republic of Azerbaijan, to transfer to the jurisdiction of Armenia.

The continuing nationalist tension in the Transcaucasus, to be discussed by the President of the Supreme Soviet in Moscow next week, has caused a growing exodus of refugees from both republics, fleeing to their ethnic homelands for fear of fresh race riots and violence.

Tass, the government news agency, reported yesterday that 20,000 Azeris had fled Armenia because of the "complex and tense situation" there.

A special refugee committee had been formed by the Azerbaijan Council of Ministers, to provide temporary accommodation, and seek to persuade the refugees to return.

Contrary to rumours, there have been no cases of Azerbaijani arrivals from Armenia taking over apartments and houses of Armenians who have gone out of Azerbaijan," the news agency reported.

From Yerevan, it said that Armenian refugees were still arriving "in connection with the events in the Nagorno-Karabakh area and the tragedy in Sumgait" a reference to the race riots in that city which left 23 dead, 26 of

them Armenians.

Quoting local councils, Tass said 7,265 Armenians from Sumgait, Mingechaur, Kazakh, Shamkor and other cities of Azerbaijan had fled to their home republic. "Essential measures are being taken to provide them with housing and jobs."

The latest tension in Yerevan stemmed directly from a late-night television broadcast, according to reports from the Armenian capital, in which Russian soldiers injured in last week's clashes at the city airport were interviewed.

Workers at the airport were said to have gone on strike again, but this was subsequently denied by local officials, who confirmed that troops had been deployed there. Aeroflot, the Soviet airline, confirmed that all its flights to and from Yerevan had been

delayed.

In Nagorno-Karabakh, Tass reported that enterprises and public transport were all at a standstill, while a huge backlog of wagons remained unloaded at the railway station. It said 300 wagons of fruit destined for other parts of the Soviet Union had not been moved.

"The population of Stepanakert is exhausted by the situation," the agency said. "People have forgotten about the weddings and family gatherings. The incidence rate of illnesses caused by nervous strain has grown."

The President of the Supreme Soviet is expected to convene on Monday to discuss the deadlock between Armenia and Azerbaijan over the status of Nagorno-Karabakh, although indications are that the Soviet authorities do not wish to intervene.

Warsaw Pact to discuss arms cuts

By Christopher Bobinski in Warsaw

LEADERS of the seven Warsaw Pact countries yesterday started a two-day meeting in the Polish capital expected to develop earlier Soviet proposals aimed at achieving conventional arms reductions in Europe.

Mr Mikhail Gorbachev, the Soviet leader, said in Szczecin on Wednesday "that the meeting would present 'new, constructive ideas' on East-West disarmament. The pact will no doubt stress the theme of pan-European cooperation in all fields.

But the meeting at which the various party leaders present their "concrete" position on future developments, and review progress in the 12 months since the last conference, takes place in the shadow of a row between Hungary and Romania.

The Hungarians are protesting against plans by Mr Nicolae Ceausescu, the Romanian leader, to resettle farmers in Transylvania, seen as a blow against the Hungarian minority there.

Also, the Romanian leader's tough internal policies which are out of step with the present Soviet drive to modernise the system, adds tension to the meeting, which is taking place in private.

Romania is due to chair the next Warsaw Pact summit in Bucharest and both Mr Ceausescu and General Wojciech Jaruzelski, the Polish leader, were to speak at a formal dinner yesterday evening.

The new proposals Mr Gorbachev has said are to be made will build on his suggestion at April meeting in Moscow with US President Ronald Reagan for a stage-by-stage conventional arms reduction to Europe.

The process would start with verification of data on troop levels leading to an elimination of "imbalances and asymmetries" and the withdrawal of 500,000 troops on either side.

Mr Gorbachev last Monday also suggested a summit of European leaders, which it appears would include the US and Canada, to reduce tension in Europe.

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Britain to seek changes in basic Hong Kong law

By Tom Lynch

BRITAIN will press for changes in China's draft of the basic law proposed for Hong Kong after it returns to Chinese sovereignty in 1997, Sir Geoffrey Howe, the Foreign Secretary, indicated in the Commons yesterday.

Opening a five-hour debate about the colony, he said there appeared to be "good reason for anxiety" over the sections of the draft on the economy, which "seem to encroach" on the autonomy of Hong Kong. In addition, there was "understandable concern" about how guarantees of rights and freedoms would work in practice.

Sir Geoffrey also acknowledged concern over the "crucial and sensitive area" of relationships between Hong Kong and the National People's Congress in Peking, and Mr. Tim Eggar, a junior Foreign Office minister, hinted at "considerable revision" of one of the draft articles in that area.

Referring to the five-month public consultation on the draft, which ends in September, Sir Geoffrey said: "The way in which this matter is handled will have a major effect on confidence in Hong Kong and on how Hong Kong people view their future."

He added: "It is firmly in China's interests to get the basic law right, in order to maintain confidence in Hong Kong and secure its future beyond 1997."

He acknowledged that there was a problem over professional and middle-class emigration, but argued that emigration had always been a feature of the colony's life and fewer people were leaving now than in the 1970s.

From the Labour frontbench, Mr. George Foulkes said China had made clear that the draft basic law could be changed, especially where a consensus emerged within Hong Kong.

He called for amendments to ensure "the unfettered application of all the human rights principles set out in international covenants and currently applicable in Hong Kong."

Mr. Gerald Kaufman, the shadow Foreign Secretary, said China's four alternative proposals for the legislative council envisaged at least 25 per cent and at most 50 per cent of directly elected members. He contrasted these proposals with British "timidity" in suggesting 18 per cent for the 1981 elections.

During the debate, Conservative backbenchers pressed the Government to insist on changes to the draft basic law. Mr. Richard Alexander (C, Newark) said the letter and spirit of the 1984 Sino-British declaration should be adhered to.

"If it is not - and there is some evidence that it is not - we should insist that it should be effectively amended so that it does include civil liberties and gives a clear measure of devolution."

Colina Macdonnell writes: Representatives of the Hong Kong Bar Association, the Law Society and of other professions in the territory said they were satisfied that yesterday's debate raised the important issues in Hong Kong's draft Basic Law. They hoped that the British Government would now raise these with the Chinese Government.

DTI seeks to wind up investment business

By Nick Barker

WHITEHALL officials have moved in to wind up another small investment business, Reid Services, on the grounds that it is insolvent and that its accounts fail to comply with the Companies Act.

Reid, with a registered office at Ames House, Duke of York Street, London, has about 800 clients, the Department of Trade and Industry said yesterday.

Reid ran an insurance consultancy in Weymouth from 1983, the DTI said, and a much larger securities dealing business in Bristol from June 1987 to March 1988, when it ceased trading.

Officials were unwilling yesterday to release details of their reasons for seeking a winding-up petition, because they say the matter is sub judice pending a High Court hearing of the petition on October 12.

The DTI did say that it was taking the action under Section 72 of the Financial Services Act, which permits it to seek a winding-up order of an investment business if the business cannot pay its debts or the court feels it is "just and equitable" that the business should be wound up.

The court has appointed the Official Receiver as provisional liquidator.

Michael Cassell on the victors and losers in Thursday's by-election Searching for the winning angle

"KINNOCK in shock defeat" ran the Sun's front page headline yesterday, followed by a story claiming that Labour's failure to win the Kensington by-election in London had sent the party's leader into hiding during his tour of darkest Africa.

However, the Daily Mail, not best known for its Labour sympathies, described the Tory victory by just 815 votes as a "major boost" for the opposition and for Mr. Kinnock. The stridently supportive Daily Mirror said only that the result provided cause for some Labour satisfaction.

The reality is that most political pundits had mistakenly predicted an easy victory for Mr. Dudley Fishburn, the Tory candidate. As a result, the eventual, wafer-thin, majority looked like a setback for supporters of a party expecting a comfortable win and like some sort of advance for an opponent resigned to heavy defeat.



Dudley Fishburn: denied his journalistic roots

The role of the press during an unexciting, low-key campaign was in itself an issue. Within minutes of the result being known, Mr. Fishburn was denying his journalistic roots and claiming people should not believe everything they read in the newspapers.

Mrs. Ann Holmes, for Labour, claimed victory was snatched from her by a press which failed to give the contest appropriate coverage. This view was echoed by Mr. Roy Hattersley, Labour's

revitalised deputy leader, who insisted Labour would have won but for lack of interest by the media.

In the final reckoning, it is the political parties which must accept the responsibility for their respective performances and there are messages for all of them in the outcome of the country's first parliamentary contest since last year's general election. The Tories, as predicted, held a seat which has been in their hands since the constituency was formed in 1974. Despite the 5.4 per cent swing to Labour, the fall in the Tory share of the vote was the smallest at any by-election since 1982.

There was, however, no ringing endorsement of current controversial policies which Central Office might have expected.

The evidence suggests that the party lost up to 1,000 votes because loyal supporters were away on holiday and, much more interestingly, canvassing returns suggest that some traditional Tory voters were alienated by the impact of the recently implemented benefit changes.

Labour should have had a good chance of victory, if its own evaluation of the Government's current lack of popularity is to be believed. It had the best candidate in Mrs. Holmes, a good local organisation and several issues - like education, health and the community charge - into which it could sink its teeth.

But the final result was not, as Mr. Hattersley attempted to portray it, in any sense "excellent," unless, as Mr. Cecil Parkinson, the Energy Secretary, unkindly put it, Labour's ambition is to keep coming a good second.

The outcome will provide some encouragement for the Labour leadership, but yesterday's enthusiastic remarks were as much a measure of its surprise at not having been beaten as soundly as it had expected.

Mr. Kinnock, far from having stolen off into the African bush, was quick to lay some of the blame on the party's recent, well-publicised internal problems. Another 816 votes would have handed Mr. Kinnock a valuable propaganda victory which might have radically altered the climate in which the leadership campaign and policy review would have been completed.

For the Social and Liberal Democrats and the Owenite Social Democratic Party, yesterday was a morning for brave words and bold predictions.

The Democrats, in coming third with 11 per cent of the vote, could take comfort from easily seeing off the SDF, which clung on to its deposit and fourth place by commanding just 5 per cent of the votes cast.

Together, the two parties' total share of the vote almost reached the Alliance figure achieved at the general election; divided, the result offers little consolation to former political partners.

Some candidates clearly found the campaign more fun than others. Mrs. Cynthia Payne, best known for her acceptance of luncheon vouchers in return for a range of popular social services, said she had enjoyed it as much as her notorious trial.

Politics, she warned, had proved far dirtier than anything in which she had been engaged. Mrs. Payne is likely to be remembered long after the by-election.

Art world turns down a Turner at Christie's

By Antony Thornton

A PAINTING by J.M.W. Turner, Cicero at his Villa, failed to raise a bid at Christie's auction room in London yesterday and was withdrawn.

There had been a cautious estimate of more than 15m placed on what was considered one of the finest Turners still in private hands, but pre-sale speculation pushed the likely price to £12m.

The painting, offered for sale by Evelyn de Rothschild, had no obvious flaws, but British art galleries are well-stocked with Turners and the likely price was way above their budgets. Overseas buyers are apparently reluctant to add a Turner to their collections.

Christie's said that the failure of the Turner did not reflect the general state of the art market. Other paintings in its auction of British pictures did well, notably Two leopards playing by Swiss-born Jacques-Laurent Agasse which went for £3.85m, a record for the artist, probably to an American buyer.

A sporting picture by John Frederick Herring Sr, Preparing to start the Doncaster Gold Cup, 1825, fetched £440,000, a record price for a picture by the artist sold at auction.

Labour to seek check on tax amendment attempts

By Tom Lynch

LABOUR is to seek changes in the procedure for submitting amendments to future finance bills after what it described yesterday as abuse of parliamentary procedure by Conservative backbenchers in trying to introduce tax breaks for vested interests into the latest bill.

Mr. Nick Brown, a Labour Treasury spokesman, said each of 15 amendments to the Finance Bill "contains a major tax scam which would not advantage the population as a whole, but would make a major concession to very small vested interest groups."

The total cost of passing the amendments - none of which was accepted by the Government - would have been £1bn a year, he said.

Mr. Brown is writing this weekend to the Commons Procedure Committee calling for each amendment to be accompanied by a statement of any relevant personal interest by the MP or MPs proposing it and by a list of

the people or organisations who drafted it, helped with the drafting or lobbied for it.

He said: "Many members are using House of Commons procedures, as a vehicle for trawling interests that have more to do with the particular companies with which they are associated than with the proper business of parliament."

Mr. Brown suggested that a committee of lobby groups pressing for an amendment was sometimes misled by an MP, who would table the desired amendment knowing it had no hope of success, then put the best possible gloss on the reply given by the minister in rejecting it.

Mr. Brown distributed to Westminster journalists a list of 15 sample amendments debated during the committee and report stages of the Finance (No. 2) Bill, which implements the Budget and ended its parliamentary stages on Thursday.

Revenue gives assurance on car phone tax policy

By Richard Donkin

THE Inland Revenue has assured companies that have reached local agreements over a controversial tax on car telephones that they will be reimbursed if they are out of pocket when a national policy is decided.

It was becoming clear yesterday that some companies have given in to what they feel are unfair demands.

Mr. Anthony Guter, financial controller at Mastertronic, a City-based computer software company, said his company had agreed reluctantly, after a year of negotiations, to accede to the Revenue's insistence that car telephones should be treated as a taxable perk.

He said: "The local tax office took the view right from the start that the car phone was a benefit in kind and treated it as though it was a company-provided home telephone."

This meant that the entire cost of Mastertronic's car phones - between £500 and £800 each for

the annual lease - could be taxed as part of an employee's income.

Alternatively, if the telephone had been bought outright, the tax would be levied on 20 per cent of the purchase price.

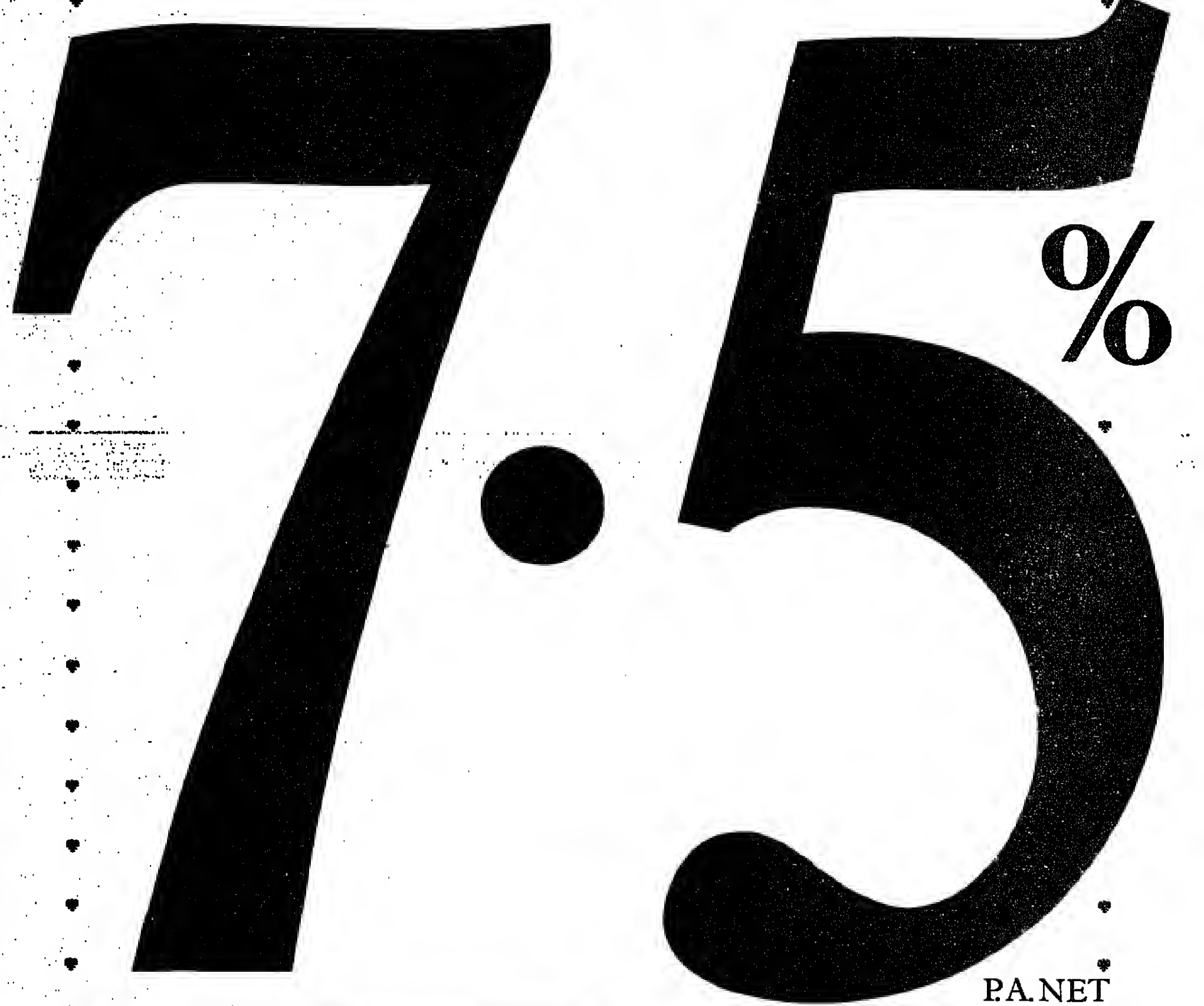
A decision to accept 30 per cent of calls as business only, leaving 10 per cent taxable was described by Mr. Guter as fair.

"What I do take issue with is that the cost of the telephones themselves should be regarded as a benefit in kind."

"They are an essential item for my workforce and as important as the telephones on their desk," he said.

Mr. Guter said the company would be paying the tax itself to alleviate the burden on its six sales staff who use car telephones.

The Inland Revenue said yesterday that any local interpretations of the tax at variance with the final policy at national level would be ironed out afterwards.



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UK NEWS

Government aims to reverse Lords education defeats

By Peter Riddell, Political Editor

THE Government will next week seek to overturn in the House of Commons most of the main defeats it has suffered recently in the Lords on the Education Reform Bill.

This covers the opting-out of schools from local authority control, the funding of universities, and the education of British children in other European countries.

The Labour Party has protested strongly at 568 Lords amendments being debated in roughly 11 hours next Monday and Tuesday, and has argued that ministers are seeking a substantial extension of Whitehall power.

Ministers are confident of securing comfortable Commons majorities for their proposals. They want to ensure Lords approval for such changes to avoid lengthy to-ing and fro-ing between the two Houses, so that the bill becomes law before the start of the summer parliamentary recess on July 29.

Consequently, on the creation of grant-maintained schools through opting-out from council control, the Government has offered a limited face-saving compromise in the hope of winning support in the Lords.

The bill originally proposed that opting-out could go ahead on the basis of a simple majority of Local Education Authorities conference in Croydon.

Those entering secondary school next year would be assessed in 1991 when they were seven, he told the Council of Local Education Authorities conference in Croydon.

However, Mr Baker said these assessments would be experimental and the results would not be communicated to parents. It is envisaged that the full system would begin the following year.

The Government would introduce attainment targets setting out what children will be expected to achieve by particular

ages - for the core subjects of English, Mathematics and Science for seven to eight-year-olds for use by September 1991.

He told the conference that local government would continue to have a crucial role in education under the reforms, but it would be more as a watchdog than as a mediator.

Some teachers, said Mr Baker, had been making too heavy demands on pupils in the course-work elements of the new GCSE examinations.

Examination boards must ensure through the appeal procedures that the first groups taking the examinations this year were treated fairly.

Mr Kenneth Baker, the Education Secretary, yesterday defended "the well understood procedures of a simple majority."

However, to meet the concern of small groups of parents could seek to determine the future of a school without the consequences being fully appreciated by all parents "a new dual-ballot arrangement is being introduced."

Consequently, if 50 per cent or more of the registered parents at a school vote on the first ballot then, whatever the result, a second vote will not be necessary.

However, if less than 50 per cent of parents vote in the first ballot, then a second ballot will have to be held within 14 days, and this will be conclusive irrespective of the turnout.

The change will mean that on the first ballot, it will be possible for just over 25 per cent of parents voting in favour of opting-out to trigger the application mechanism, instead of just over 50 per cent as under the Lords amendment.

Similarly, the Government is proposing to reverse the effect of Lords amendments on the powers of the Universities Funding Council, returning to the original proposal to introduce an element of specific contracts in the financing of research work.

The Government is also seeking to reverse a defeat initiated by Baroness Young, a former Tory Cabinet minister, requiring the Government to provide assistance to British children temporarily living and at school elsewhere in the EC.

Airports braced for a weekend of delays

By Michael Dome, Aerospace Correspondent

INDUSTRIAL action by air traffic controllers overseas is likely to continue to cause big delays at airports and misery for thousands of passengers this weekend and possibly into next week.

Greek air traffic controllers have officially ended their industrial action, but they are still restricting the number of aircraft movements through their airspace. This, together with the aftermath of the delays and uncertainty about threatened action by French and Spanish air traffic controllers will cause further hold-ups this weekend.

The view prevailing among UK and Continental airlines yesterday was that there is now a "damning effect" among the industrial attitudes of the European air traffic controllers, with unions in different countries exploiting the dislocation to press for more pay or better conditions, or both.

"There can be no other explanation," one airline commented. "The unions see what damage they have done, and others follow suit. The passengers come for nothing, and we have to pick up the bills."

Those bills already run into millions of pounds in the UK alone and will rise further if delays continue through the summer peak period.

The disputes are distorting the underlying problem of how to cope with rapid traffic growth and the consequent need to improve the European air traffic control system. BAA, which runs the main airports in the south-east of England; Heathrow and Gatwick, remains confident that there will be enough runway capacity to cope with the growth in traffic until the mid to late 1990s. But the Civil Aviation Authority believes that peak period delays must be expected for some time.

The authority is committed to spending up to £800m on equipment by the mid-1990s, but it said yesterday: "New systems can't be bought off the shelf; they have to be specially developed. The problem will ease by the autumn, but we expect delays during the summer for years to come."

Britain's package tour operators were yesterday counting the cost of the air traffic delays, writes David Churchill. Thomson Holidays, the largest tour operator, which has sold about 2m package holidays this summer, said yesterday that the delays had so far cost it about £1m.

In the last four days it has provided about 4,500 hotel beds for holidaymakers who have been stranded at UK airports as well as providing about 40,000 meal vouchers. Thomson has also paid out about £100,000 in compensation to holidaymakers.

Horizon, the third largest tour operator, said yesterday that the delays were costing it up to £75,000 a night.

But Redwing Holidays, in which British Airways has a 50 per cent stake, said that the costs of the delays were not so expensive. It said that many of its passengers were experiencing short-term delays which did not require overnight accommodation in the UK.

Most tour operators believed that the extra costs incurred by recent flight delays would not substantially affect profits. Thomson pointed out that 95 per cent of its holidaymakers had not faced any delays so far this summer. "Last weekend some two-thirds of our customers were away on time."

Tour operators maintained that the air traffic system could cope with the demand this summer - over 750,000 holidays are still unsold - if it was allowed to operate without industrial action.

Philip Stephens reports on the Chancellor's re-affirmed battle against inflation The difficult art of talking down prices

IN FIVE years the Government's rhetoric has hardly changed. But not has Britain's inflation rate.

On Thursday, Mr Nigel Lawson, the Chancellor, re-affirmed his determination to curb the pace of inflation. Yesterday the Government reported that retail prices rose by 4.6 per cent in the year to June, up from 4.2 per cent in May.

That compares with the 3.7 per cent rate seen at the start of the Government's second term of office in mid-1983.

Last month's figure should not be taken in isolation. The rate just a few months ago was only a little over 3 per cent. Similarly the low-point seen in 1983 was erratically favourable and not representative of the underlying trend.

However, with a further acceleration on the immediate horizon, the latest figures have reopened the question of just how committed the Government has been to its much-trumpeted goal of eventual price stability.

Much less attention has been focused on why the Government has missed its own targets - and what that has meant for output and employment.

Many of the macro-economic pressures it has faced since 1983 are the familiar enough: buoyant demand in the economy; rapid growth in earnings; an explosion in the demand for and the supply of credit; a surge in consumer spending and sharp rises in house prices.

Alongside those factors have been the need to accept a further depreciation in sterling's value from the unsustainably high levels reached at the start of the 1980s and industry's determination to rebuild its profits.

The most constant - and from the Government's perspective most irritating - thread has been the failure of earnings to adjust downwards in line with inflation.

After responding fairly quickly to the rapid disinflation of the early 1980s, annual growth in average earnings has remained stuck at between about 7% and 8% per cent since 1983.

Even before the latest acceleration, the all-party Treasury and Civil Service Committees concluded that the Government was three years behind schedule in implementing its own medium-term anti-inflation strategy.

Mr Lawson once said, would be the "judge and jury" in any assessment of the success of his economic strategy. It would be less than convenient if the verdict were delivered now.

To be fair, Mr Lawson insists that the policy has always been one of "gradualism" and that the underlying rate of inflation has come down since 1983. By stripping out changes in the mortgage rate and comparing the average rate of the last two years with that of the previous three, it arrives at a figure of 4 per cent now against 5 per cent then.

Less tortuous comparisons suggest that the rate is again fluctuating around the 5 per cent level seen in 1983. The Government's unpublished forecasts also point to a temporary rise to perhaps as high as 6 per cent early in 1989.

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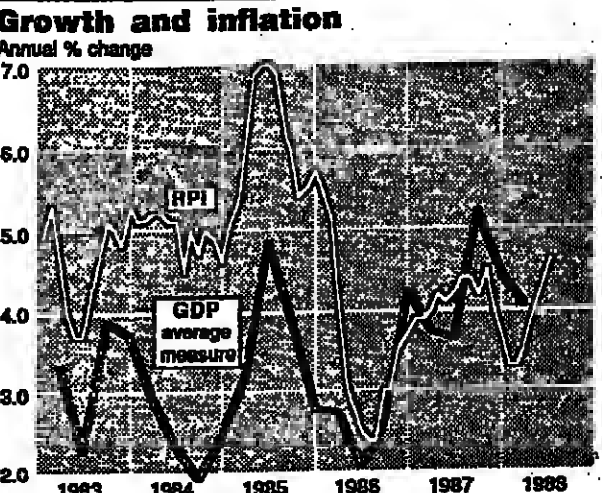
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Growth and inflation Annual % change

There was also a consensus that the pound would have to be allowed to fall in order to restore industry's competitive position.

The resultant loosening in the anti-inflationary stance came to an abrupt end in January 1988 when Mr Lawson was forced to raise base rates to 14 per cent in response to a sterling crisis. However, with unemployment continuing to rise, he still faced intense pressure to maintain the momentum of growth in the economy.

The opportunity came in the autumn of 1986 with the collapse in the oil price. The Chancellor and his advisers decided not to "pocket" all of the inflation gain offered by lower oil prices but instead to allow sterling to depreciate to provide a fillip to industrial output. "It was a clear decision. We talked about an all-adjusted exchange rate," one insider commented.

Mr Lawson's determination to hold down sterling's value against the Deutsche Mark have been more a reflection of the Treasury's serious under-estimate of the strength of consumer spending and borrowing.

When the Chancellor unveiled his £4m package of tax cuts in the March Budget there was a clear expectation in the Treasury that the pace of spending was likely to cool as consumers decided it was time to increase their savings.

Instead they have gone on borrowing and spending and the result looks likely to be a current account deficit this year on the current account of the balance of payments. In 1987 the tax cuts look excessive - fiscal policy should have been tightened to reduce demand in the economy.

The Treasury's view is that the situation will eventually be self-stabilising. Consumers will stabilise. Consumers will decide that they have borrowed enough and will start to rebuild their savings.

However, the risk is that foreign exchange markets will be self-stabilising. Consumers will be patient and will react by pushing sterling lower, further intensifying the upward pressure on inflation. To forestall such a development Mr Lawson may have to help the "self-stabilising" process along by again raising interest rates to curb spending and cool the housing market.

If that were to work, he would not be spared the political embarrassment of a further rise in recorded inflation, simply because the immediate impact of higher mortgage rates is to push up the retail prices index. With the benefit of hindsight, the surge in manufacturing output last year was too loose. The Treasury could have had lower inflation and still vigorous growth in the economy.

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Surplus of £2.1m made by HMSO

By Hazel Duffy

HER MAJESTY'S Stationery Office, one of the candidates for designation as a new executive agency in the autumn, has made a surplus after interest of £2.1m in 1987-88. HMSO has a statutory requirement to break even.

Turnover was 8 per cent higher than the previous year at £230m, which reflected an increase in volume of business with established customers. HMSO achieved a 10 per cent return on capital in current cost accounting terms against an objective set by the Treasury of 5 per cent.

The Government will announce shortly that it plans to set up a number of executive agencies from the 16 candidates nominated by departments.

In February the Prime Minister endorsed the proposal in the report by Sir Robin Ibbis, Improving Management in Government: The Next Steps, to set up agencies.

Mr John Dole, HMSO controller and chief executive, welcomed the prospect in his annual report.

He said: "We believe that as a new style executive agency we would have greater freedom to create a staffing and pay structure for HMSO more appropriate to its commercial and entrepreneurial role."

The announcement yesterday that Northern Ireland's electricity industry is to be privatised ends a long and bitter argument about the future of the province's power supplies.

The Government has decided that as a preliminary to privatisation, it will authorise the construction of the second stage of the Kilroot power plant at Carrickfergus to burn oil or coal probably imported from Scotland.

This effectively ends the hopes of Antrim Power Company, a private consortium which wanted to build a new plant at Crumlin to exploit local reserves of lignite, a soft brown coal.

The lignite venture, with a capacity of 450 MW, was backed by a consortium of Hanson Trust, Bechtel, the US engineering group, the General Electric Company and Lamont Holdings.

The attractions for ministers of this venture were that it would have introduced private competition into the Northern Ireland electricity industry, would have provided mining jobs and would have been funded entirely by the private sector.

Against this was the strong opposition of the Northern Ireland Electricity utility, the chairman of which, Dr Rosalind Schierbeck, had threatened to resign with all the rest of the board if the lignite scheme were approved.

The utility claimed that the advantages of a local fuel for the

Abbey National letter signals start of incorporation campaign

By David Barchard

MORE THAN 65m members of Abbey National, the second largest building society, have been sent a letter from the society's chairman, Sir Campbell Adamson, explaining why the board wants the society to drop mutual status and become a limited company.

The mailing is the first step in a campaign to persuade the society's members to approve the change in a vote at a special general meeting, set out in the poll, which Abbey National says will be one of the largest votes ever to take place in Britain outside a general election. Three quarters of those who vote must be in favour of the change.

GPT wins fibre optic network contract

By Hugo Dixon

GPT, which was formed earlier this year when General Electric Company and Plessey merged their telecommunications operations, is to receive more than £100m in orders for extending British Telecom's fibre optic network.

The telephone company said yesterday that it had chosen GPT to supply the switches for the extension to the provinces of the "flexible access system," which

Max Wilkinson on the future of Northern Ireland's electricity industry Burning question finally answered

provides users with a range of services. The system has already been installed in parts of the City of London.

GPT's switches are a variation of its System X switch which BT has installed throughout most of its conventional network. BT said it had chosen GPT following intense competition. One of the unsuccessful competitors is understood to have been APT, the joint venture between AT&T

of the US and Philips of the Netherlands. GPT will also be supplying BT with some of the multiplexers which are put on the end of a fibre-optic cable to control the transmission of messages from a customer's premises.

STC, another UK electronics company, is to receive more than £100m in orders as part of the same programme.

term it would like about a third of the province's electric capacity to be based on domestic supplies of lignite, which is available in several sites.

As rising demand brings the need for new power plant in the late 1990s, it wants to explore competitive supplies of the fuel in an effort to drive down prices which it regards as too high at present.

A more immediate concern for the utility will be the details of the privatisation plans.

Mr Peter Viggers, the Northern Ireland Industry Minister says different schemes for privatisation will now be studied.

He says he wants to introduce an element of competition into the industry, but the utility is likely to oppose any break-up on the grounds that the province is too small to support more than one utility of an efficient size.

A further difficulty for the Government is that in its present state, sale of the utility is unlikely to raise much money because of its heavy dependence on oil and one elderly coal plant.

The development of Kilroot as a modern dual-fired plant will improve its attractiveness.

Even so it is clear that a fairly large stream of investment funds will be required over the coming decades. The private sector's willingness to provide funds will depend crucially on what view a future regulator takes on electricity prices.

Dr Schierbeck says the utility will not be committed to buying from British Coal and would be prepared to purchase supplies on the world market.

However, it seems probable that British Coal will agree to match world prices for this contract.

Although Northern Ireland Electric has strongly opposed the plan by Antrim on grounds of cost, it says that in the longer

Football TV deal approved

By Raymond Spoddy

THE FOOTBALL League management committee voted in favour yesterday of the British Satellite Broadcasting/BSB financial package for the televising of August 5 with a recommendation that they try to limit the danger of a break-up of the league.

The BSB offer, worth a guaranteed minimum of £11m a year, will go to an emergency general meeting of all the clubs on August 8 with a recommendation that it be ratified.

An offer from the ITV companies, worth a total of £23m over four years, was formally delivered to League representatives by Mr Greg Dyke, head of ITV, at a meeting yesterday. It was then accepted for the first time as a formal proposal and will be put before the clubs at the emergency meeting.

Mr Jack Dunnett, former chairman of Notts County, who chaired yesterday's meeting, forecast a majority for the BSB offer. However, he conceded: "If we win we are going to have problems."

The "top 10" clubs which have been talking to ITV are still believed to be in favour of a separate deal which would give them £32m of the £52m package.

However, the management committee has decided to try to make it more difficult for clubs to leave the league. The meeting will be asked to pass a recommendation that in future clubs will have to give three years' notice before leaving the league. If they do not, such clubs will have to pay compensation to the remaining clubs.

This motion is likely to be tabled before a vote on the television proposals, putting more pressure on any potential rebels.

The Football League will also ask the 10 first division clubs to give an undertaking that they will not sign an agreement with ITV before the August 8 meeting. If they refuse, the League will seek an extension, until the emergency meeting, of its High Court injunction blocking the signing of an ITV deal.

Two carrots will also be held out to the top clubs. In future the first division clubs would get 80 per cent of the money from a television deal, compared with 50 per cent at the moment, with 10 per cent for the second division and the remainder for the third and fourth.

The setting-up of a league restructuring committee to look at the possibility of a new premier league with fewer clubs was also accepted in principle.

As a result of yesterday's meeting Mr Dunnett said the chances of the League breaking up "are now less but they are substantial." Apart from the danger of a split in the League, football in the UK faced government insistence on 100 per cent membership of clubs and the continued ban from Europe.

Between now and August 8, League negotiators would try to put some flesh on the ITV offer and seek better final offers from both BSB and ITV.

AEROSPACE The Financial Times proposes to publish this survey on: 30th AUGUST For a full editorial synopsis and advertisement details, please contact: TIM KINGHAM on 01-248 8000 ext 3606 or write to him at: Bracken House 10 Cannon Street London EC4P 4BY FINANCIAL TIMES LONDON & FINANCIAL NEWS

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Partnership 'benefits' John Lewis

BY JOHN GAPPER, LABOUR STAFF

THE John Lewis Partnership, one of the largest employee-owned companies in Europe, has achieved faster productivity growth than its main competitors, over which its ownership has given it "significant advantages," according to a new study.

The study of the company's performance over the past 17 years concludes that employee ownership does not reduce the incentive to manage a business efficiently or undermine central control, as has been suggested.

The study, by two academics from the London School of Economics, finds that the company has achieved superior labour productivity because of high wages and benefits, a commitment to employee involvement and a

spring use of part-timers.

It also concludes that John Lewis, which has 30,000 staff and an annual turnover of about £1.6bn, has managed a stable pattern of employment growth compared to fluctuations in sales, which it attributes to a high degree of profit-sharing.

The study was commissioned by Partnership Research Limited, a research agency which aims to encourage new thinking about employment participation and changing relationships between employers and staff.

It said: "The partnership performs extremely well relative to the sector and the economy as a whole, and comparable with the other leading enterprises in retailing and distribution."

The Partnership was founded in 1929 with an interest-free loan of £1m, used to buy the company and transfer ownership to its workers through a trust. It is run by a chairman, whose power is balanced by a council, 50 per cent elected by staff.

The study finds that pay bonuses, paid of right to all employees, have averaged more than 20 per cent of employees' basic pay in the past few years. Employees also have participation and information rights.

Comparing its performance relative to GUS, Marks and Spencer, J Sainsbury and Tesco, the study finds that John Lewis's sales did not grow as fast as Sainsbury, but it outperformed the others in productivity growth.

John Lewis is also found to have kept the proportion of its part-time employees constant at around 55 per cent, against a fall in Sainsbury part-timers from 53 to 40 per cent, and at Marks and Spencer from 59 to 35.5 per cent.

The report was published yesterday along with a study of five case studies of American companies owned under employee stock-ownership plans (ESOPs), which found the method of ownership contributed to improved performance.

Does Employee Ownership Improve Company Performance? The Case of the John Lewis Partnership. By Keith Bradley and Sam Estrin. Partnership Research Ltd, 9 Poland Street, London W1V 3DU; £15



Doug McAvoy: conflict with left-wing activists

McAvoy to be NUT general secretary

By John Gapper, Labour Staff

LEADERS of the National Union of Teachers yesterday appointed Mr Doug McAvoy as the successor to Mr Fred Jarvis, the union's general secretary, after a previous attempt to do so was blocked.

Mr McAvoy, a right-winger who has supported reforms to the structure of the 188,000-strong union, was appointed in preference to Ms Carole Regan, a member of the Inner London Teachers' Association.

Mr McAvoy, 48, the union's deputy general secretary, will become general secretary designate from September, and general secretary in September 1989 when Mr Jarvis retires.

Under the new Employment Act, Mr Jarvis will have to stand for election to the post by membership ballot.

Mr McAvoy, who was educated at Jarrow Grammar School and Culham College, taught in secondary schools in Newcastle upon Tyne before becoming NUT deputy general secretary in November 1974.

His appointment was blocked at the NUT's annual conference in April on the grounds that the executive had not used correct procedures and advertised the post openly.

However, there is also some conflict between Mr McAvoy and left-wing activists over the leadership's attempt to reorganise the NUT and give it a less militant image following a sharp fall in membership. The reform package was accepted at the conference but the closeness of the vote was taken as a warning to Mr McAvoy.

STC marketing director

Mr Richard Turner has been appointed to the new post of group marketing director of STC. He also becomes chairman, STC Submarine Systems. He was commercial director of the civil engine group of Rolls Royce. Dr Saul Lanyado has been appointed managing director, STC Submarine Systems. He was director and general manager of Marconi Instruments in Scotland. Mr Roger Wood has been appointed managing director of STC Telecommunications Systems division. He was sales director of ICL. Mr Stuart Bailey becomes director, business strategy. He was managing director, STC Transmission Systems division.

Automotive Products, becomes managing director of the automotive component divisions in the UK, and Mr Chive Hale, formerly financial controller of AP, is appointed finance director of the division worldwide. Mr Mark Wingrove is appointed director and general manager of the brakes division. Mr Chris Bayliss becomes general manager of the steering and suspension division.

Mr Robert Morgan has been appointed legal adviser to the CHARTERED INSTITUTE OF ARBITRATORS.

The London branch of NORD-DEUTSCHE LANDESBANK has appointed Mrs Nancy Caiger as senior manager, capital markets; Mr Bruce Gresswell as senior manager, money markets, chief dealer; and Mr John Omer as senior manager, credit and business development.

Mr Ray Haines becomes managing director. Mr Colin J.E. Houston, Mr Alan A. Welsh and Mr Andrew C. Elgitt have been appointed associate directors of RUGBY SECURITIES.

Mrs Bronwen Curtis, packaging manager, has been appointed manufacturing director of AVON COSMETICS. She succeeds Mr Tom Jensch, who is returning to the parent company in the US.

Following the acquisition of H. Stephenson Group, and of Anford Management by STEEL BURRELL JONES GROUP, Mr Bill Barratt, Mr George Boden, Mr Tony Keys and Mr John Wynn have been appointed to the board. Mr G.W. Burrell has become a non-executive director of the group, and of its chief subsidiary Steel Burrell Jones.

Mr J.F. Goble has been appointed a non-executive director of WREN UNDERWRITING AGENCIES.

Willis backs training programme

By Michael Smith, Labour Staff

MR NORMAN WILLIS, General Secretary of the Trades Union Congress yesterday reaffirmed his conditional support for the Government's employment training programme but said it would not be easy to secure the backing of the TUC at this year's annual conference.

Mr Willis, at a Policy Studies Institute seminar, said the TUC had to build on a framework for the scheme it had "wrenched out of the Government."

"There is no viable alternative. If we do not have it, I do not know where people who need training would go."

The scheme, which aims to train 600,000 adults a year, is opposed by some unions, including the TGWU and the Nupe and Nalco public sector unions, because they fear it would not be voluntary, that it might displace full-time jobs and that its pay rates would be too low.

Mr Willis said he understood why the scheme's opponents were suspicious. The TUC would, however, continue working to improve employment training and would continue to support it, provided it remained voluntary.

Talks between police representatives and local employers on police pay were adjourned until July 27 after the first day of negotiations yesterday.

PO team briefing row unsettled

BY MICHAEL SMITH, LABOUR STAFF

THE Union of Communications Workers said yesterday that the Post Office would have to reinstate a research team to work on improving industrial relations without its co-operation.

Mr Alan Tuffin, general secretary, said the Post Office would be imposing the briefings on an unwilling workforce. This would effectively destroy the object of the exercise and "further damage industrial relations in an industry already beset by considerable industrial relations problems."

Mr Tuffin's comments ended any hopes that the UCU might be willing to seek an immediate compromise after the Post Office won an injunction on Wednesday which ordered the union to stop instructing members to boycott

team briefings.

The UCU has already sent a circular to branches withdrawing the boycott instruction but it has yet to decide on whether it wants to pursue the matter legally.

Following the granting of the High Court injunction against it, the union has the option of defending its action at a full trial, scheduled for October. Although it is consulting lawyers, the likelihood is that it will let the matter rest legally.

However, in his statement yesterday Mr Tuffin said that the union did not agree with the concept of team briefings because of reported abuses of the system. This refers to allegations that some managers used the briefings last year to urge staff not to vote for industrial action over a

dispute about hours.

Mr Tuffin said the Post Office had seriously abused the standing of the Industrial Society, which has played a significant role in promoting team briefings among trade unions and responsible employers.

This week Mr Tuffin resigned his seat on the Industrial Society's ruling council in protest against the Post Office's action.

Employees of Moscow Narodny Bank, the Soviet International bank based in London, have been offered a pay rise of 4 per cent. Biffn, the financial services union which represents about 80 per cent of the staff, had asked for 12 per cent. It says the average rate of settlements in the banking sector has been about 7 per cent this year.

Engineering recruits fewer apprentices

BY OUR LABOUR STAFF

THERE has been a fall in the number of apprentices recruited by engineering companies in the past year, according to the latest edition of the Engineering Industry Training Board's economic monitor.

The monitor says that the provisional figure for apprentice recruitment stands at 8,310, while companies out of the direct scope of the board registered 3,444 craft and technician trainees in the same year.

The number of apprentices has fallen from the previous year's figure of 9,870, and 9,300 in 1985. Ten years ago, the equivalent figure was 24,514 — about the same as the figure for 1967-68.

The result comes against a background of companies reporting increased skill shortages. The monitor says that manufacturing companies have responded by resorting to the use of more overtime and taking on temporary workers.

It says that such shortages are seen as a constraint on British economic growth. The number of apprentices for 1987-88 includes 241 technicians receiving training under the EITB's extra recruitment scheme and 969 Youth Training Scheme trainees identified as undertaking basic engineering training.

Of the 8,310, technician trainees accounted for 37 per cent and craft trainees the remainder. The monitor says that productivity within engineering is continuing to grow strongly. According to Department of Employment figures, the rise in productivity between 1986 and 1987 was 8 per cent.

It reports on some EITB initiatives to combat skill shortages, including a software engineering scheme, the development of open learning material and schemes to encourage women engineers.

Mr Michael Hoffman, chief executive of Airstrip Industries, has been appointed deputy chairman of COSWORTH ENGINEERING of which he is a non-executive director.

Following the acquisition of Tod and Beazer Products and Services, the BM GROUP has reorganised, and made changes at main board level. Mr Howard Sutton has been appointed managing director. He was finance director, and is succeeded by Mr Carl Young. Mr Barrie Barrett is made a director. A former executive director of Shearson Lehman Hutton Securities, Mr Michael Whittles, joins the board as a non-executive director. Mr Ernest Collier and Mr Keith Bagg will leave the board to concentrate on divisional responsibilities. Mr Matthew Thorne, a non-executive director representing Beazer, will not seek re-election at the annual meeting.

BBA GROUP has made the following changes. Mr Peter Crawford, chief executive of the automotive components division, takes control of recently acquired Guthrie companies Butler Metal Products and Butler Polymet. Mr Peter Paul, director and general manager of the brakes division of

Senior posts at Royal Bank of Scotland

AT THE ROYAL BANK OF SCOTLAND Mr John Comber is to become general manager, marketing, on August 1. He joins from Prudential Financial Services where he was responsible for directing the marketing activities of its home service division.

Mr Chris Corbin, chairman and managing director of Virgo (Engineers), has been elected president of the HEATING AND VENTILATING CONTRACTORS' ASSOCIATION.

Mr Gerhard N. Mayr, LILLY INTERNATIONAL vice president for Europe, has been named senior vice president for Europe, which includes responsibility for operations in the UK. Mr Richard A. Bailey, a vice president and managing director of operations in the UK, becomes vice president of European corporate affairs, and vice president of Eli Lilly Group in the UK. Mr Alan S. Clark, general manager of Eli Lilly Italia, has been promoted to vice president of Lilly International and managing director of operations in the UK.

Mr Frank Bayers, managing director of ML Engineering (Plymouth), has been appointed president-elect of the INSTITUTION RAILWAY SIGNAL ENGINEERS. He will relinquish the post of managing director and become sales and marketing director from July 18, to give him more time for his post with the

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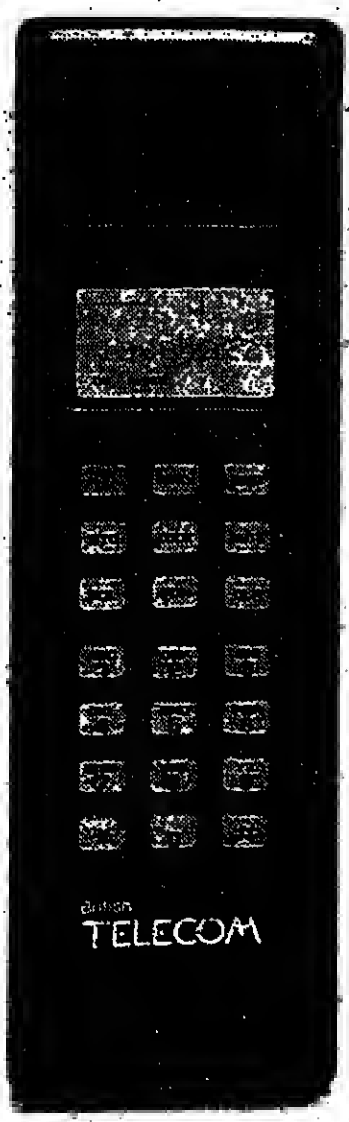
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Mr John Comber, marketing director of Royal Bank of Scotland

ROYSCOT FINANCE GROUP, finance house of The Royal Bank of Scotland Group, has appointed Mr R.B.C. Young as the finance director of both its Royal Bank Leasing and RoyScot Trust subsidiaries. He is finance director of RoyScot Factors.

That's about the size of it.



SPECIAL SUMMER OFFER ENDS JULY 31ST

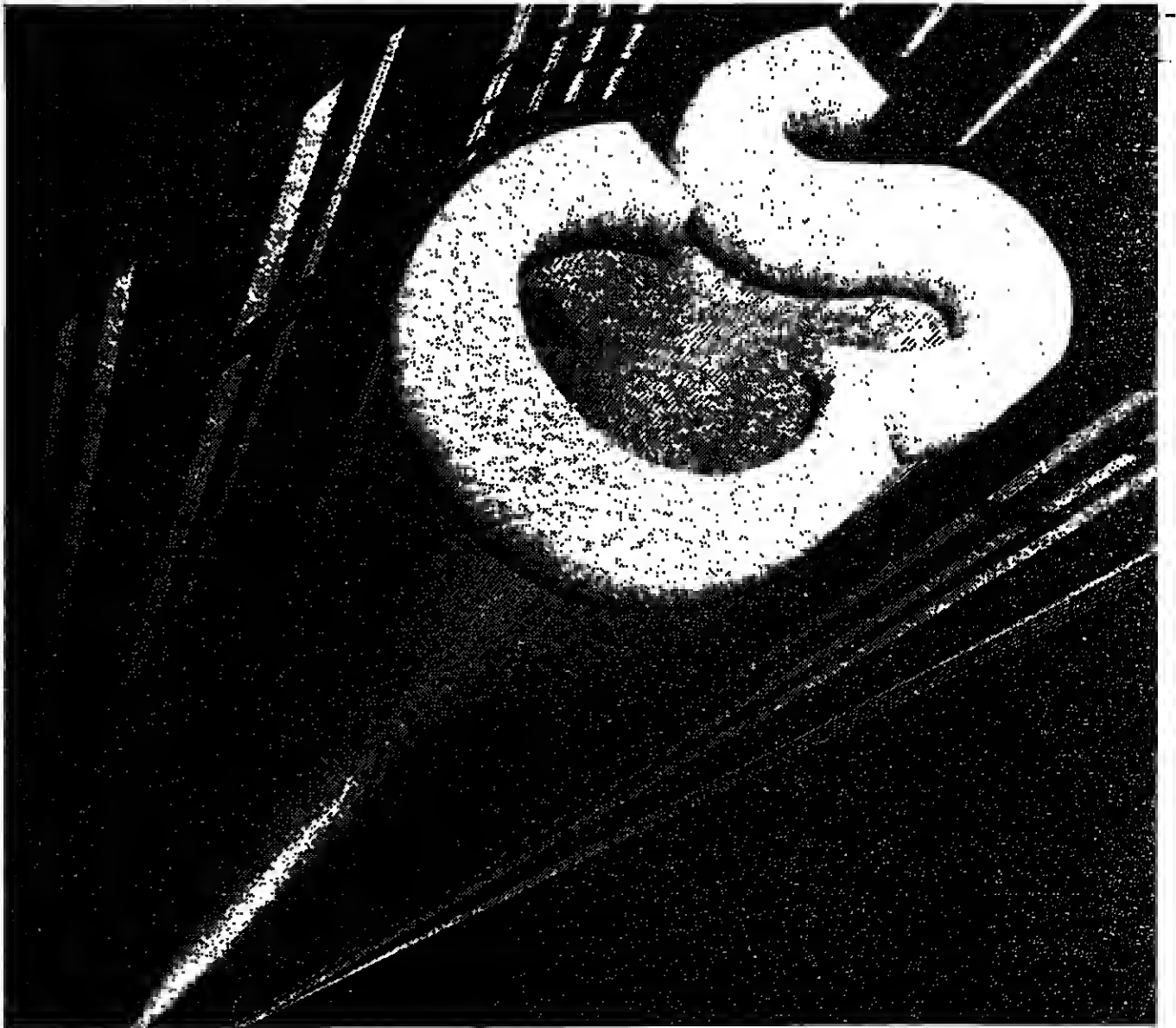
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July and you can receive a voucher for a pair of Carl Zeiss binoculars or an Olympus Trip 35mm camera or if you wish, put it towards any of the 3,000 other products available from Argos stores nationwide. For more information on Telecom Coral and the special summer offer simply call the number below.

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OUT FROM UNDER THE BUSH

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Saturday July 16 1988

The limits of co-ordination

THE RISK of the dollar is proving yet another example of the difficulty of interpreting events in the absence of words. Does the renewed strength of the dollar show the impossibility of squeezing the quart of burgeoning demand for American goods and services into the pint pot of American productive capacity? Does it demonstrate no more than the short-sightedness of both the financial markets and the governments of the principal economies? Or is it a welcome and perfectly reasonable correction after the over-boosting of the dollar at the end of last year?

The trade figures for May are, undoubtedly, encouraging, but the deficit was still just below \$11bn, far from a modest figure in anything other than the present extraordinary circumstances. The first five months of 1988, the American trade deficit was \$59bn, as against \$53bn for the comparable period of last year. A trade deficit of \$140bn for the year as a whole is certainly not out of the question and, in addition, the balance on property income is deteriorating rapidly as net indebtedness rises. By the end of 1987, it should be recalled, net external indebtedness of the US was \$370bn. It is likely to be some \$500bn at the end of 1988, more than 10 per cent of GDP.

The worry about the strength of the dollar is that, if continued, the adjustment process will be shorted, with huge current account deficits then stretching out as far as the eye can see. Moreover, this peril is dangerously attractive in the short term, especially for wearers of Mr George Bush, because of the effects of appreciation on US inflation.

Buoyant demand

The most fundamental explanation of the appreciation would be that the attempt to bring about adjustment through exchange rate depreciation was superimposed a buoyant demand for exports upon the continued fiscal deficit and firm consumer demand (despite the October stock market crash). With a federal budget deficit of more than 3 per cent of GNP, and the prospect of cyclical expansion, there is no room to accommodate the adjustment in the external balance.

Mr Alan Greenspan, Chairman of the Federal Reserve Board, told Congress this week that growth in 1988 was expected to be between 2% and 3 per cent, while rising capacity utilisation and "some signs" of wage acceleration argued for caution. Caution has, indeed, been shown, both by the financial markets and by the Federal Reserve, in the somewhat higher US short term interest rates.

The immediate consequence of higher interest rates could be a

sustained appreciation of the exchange rate, similar to that which occurred in the early 1980s. The ultimate result would be a renewed deterioration of the external balance, which would again provide the additional resources needed by the US economy if inflation is not to rise out of control.

Fortunately, it is far from clear that the problem is so fundamental. It is possible, instead, that financial markets have seized upon a temporarily favourable conjunction of widening interest differentials, improved trade trends and successful central bank intervention, while policy-makers in the US are only too willing to take advantage of any opportunity to curb incipient inflationary pressures. If the dollar were to rise much further, this attitude could prove short-sighted, but there is no reason to suppose that this is what is going to happen.

Plausible alternative

Finally, there is the plausible alternative view that the devaluation of the dollar last year went too far, when set against a purchasing power standard, and exports are growing too fast. The correction of about 3 per cent in the nominal effective exchange rate of the dollar since April 1987, the monetary authorities to prove their worth as stabilising speculators. They can now sell some of the dollars they have accumulated and so do themselves good, while doing good for the world. Under the first of these alternative perspectives the adjustment should be aborted, because it is infeasible without accelerating inflation. Under the second it need not be aborted, but might be if the players are sufficiently foolish. Under the third, there is no reason at all to expect serious problems.

It is not yet possible to know which perspective is correct. For the observer there are two key questions: first, given the actual and prospective fiscal policy position in the US, is adjustment possible? Secondly, even if it is, will the markets and the authorities allow it to happen? At present, firm answers can be given to either question. If one knew what the authorities were actually trying to do with exchange rate management, one would not only have a chance of knowing the answer to the second question, one would even know when the grim reality of resource constraints is forcing them to forget their best intentions.

Unfortunately, the presence of such a signal would be of no more than modest use. It would tell us that, in a property co-ordinated world, US fiscal policy needs to change; it would not make such a change a jot more likely.

John Lloyd opens a series of three articles examining a fundamental shift in Britain's ruling élite

BRITAIN is no longer run by an Establishment. In its place is a Disestablishment comprising men and women whose values, assumptions and habits are those of outsiders. Often they still perceive themselves as outsiders, radicals, anti-establishment figures, but that is increasingly a pose. They have successfully dethroned much, though not all, of the old Establishment, and in many crucial centres of power have taken its place.

The Disestablishment, like the old Establishment, is defined more by its ability to maintain and transmit a set of values, which become the dominant ones in society, than by its power and wealth.

The argument is that the values transmitted by the Disestablishment are materialistic, efficient, demotic, hedonistic, internationalist and rule-breaking.

These contrast sharply with the ambient values of the old Establishment, which, was, if not anti-money, certainly not for it; amateurish, even sloppy, in style; paternalistic or *de haut en bas* (rather than demotic, which is *de bas en haut*); distrustful of pleasures taken beyond a "decent" point; Anglo-centric, most obviously so when most trying to be internationalist; and jolly keen on the rules.

The contention is not that the old Establishment has disappeared. It makes a good living in many parts of society and actively engages with the Disestablishment on countless fields of battle. There has been no clean break. A range of "bridging" figures span the two, often unaware of what they are doing. The Disestablishment is not simply a reflection of "Thatcherism", since many of its members would violently disavow allegiance to the Prime Minister and her values. It is probably true to say, however, that the changes which she has ushered in or which are associated with her are the largest single feature in its formation.

Before defining the Disestablishment more closely, it must be made clear what it is replacing. That means delving briefly into the recent past - worth doing, because the very coining of the Establishment's name was probably itself a midwife to the birth of the Disestablishment.

The word was used by Henry Fairlie, a political columnist of the Spectator, on September 23, 1955. He used it in a very specific context: Burgess and Maclean, two British diplomats of the "nest" family and education, had unmasked themselves as Soviet agents by defecting to Moscow. In the five years prior to their defections, rumours of their treachery had circulated in Fleet Street and their families had been pursued by journalists from the popular papers, especially the Daily Express. A number of grand figures, including Lady Violet Bonham Carter, Asquith's daughter, and the Honourable David Astor, editor of the Observer, had protested against the "harrasing" of the families. Fairlie alleged that Lady Violet had sought to put pressure on the Express to desist - an allegation she partly confirmed. People like these, acting like that, made up the Establishment, which Fairlie defined thus:

"By the Establishment I do not mean only the centre of official power - though they are certainly part of it - but rather the whole matrix of official and social relations within which power is exercised... Anyone who has at any point been close to the exercise of power will know what I mean when I say that the Establishment can be seen in the activities of not only the Prime Minister, the Archbishop of Canterbury and the Earl Marshall, but of such lesser mortals as the chairman of the BBC and even the editor of the Times Literary Supplement, not to mention divinites like Lady Violet Bonham Carter."

The Foreign Office was seen by Mr Fairlie as lying "near the heart of the



The crumbling of the Establishment

pattern of social relationships" of the pre-war Establishment "and it would be difficult to overestimate the damage then done to this country at that disastrous dinner table" (a reference to appeasement).

Mr Fairlie, returning to the fray in his column, said: "When they (the Establishment members) combine, when the whole process is set moving, as it was during the Munich period, as it was on the issue of commercial television (Lady Violet Bonham Carter led the opposition to it, together with others later described by Anthony Sampson as the 'Whig Grandees'), as I believe it was in the Burgess and Maclean affair, its power is formidable."

The debate rumbled on. Brodby reappeared to define his establishment as containing "the Archbishop of Canterbury, the editor of the Times, the Governor of the Bank of England and the Secretary to the Cabinet."

Throughout the controversy, Mr Fairlie had threatened to set down his views at greater length. Four years later, a book entitled *The Establishment* did appear, edited by the radical historian Hugh Thomas. It brought together "seven penetrating essays" on the public schools, the army, the BBC, the Civil Service, the Establishment and the left which purported to challenge it - but was often embraced, smoothed or confounded by it - appeared to deliver neither success for the economy nor prestige for the nation. The governing Establishment could, in its pessimistic moments, see its job as no more than managing a civilised decline.

There are many explanations of why and how the old Establishment lost its power, but that it has - in the senses

defined above - can no longer be in doubt.

The Archbishop of Canterbury, a liberal churchman, may have made a kind of peace with Mrs Thatcher but there is no doubt he has little power to influence her. The churchman she prefers is the Chief Rabbi, Immanuel Jakobovits, whom she has also emolled: he is a Disestablishment figure, for sure, and his accession to that company points up the prominence of fellow Jews - the perennial outsiders - in its creation.

The editor of *The Times*, Charles Wilson, is a Glaswegian grammar schoolboy who did not attend university and whose paper is now an organ of the Disestablishment. The editor of the *Times Literary Supplement*, Jeremy Brian Walden, was recently castigated by Brian Walden, columnist on the Sunday Times (another important Disestablishment figure writing in an important Disestablishment organ) for criticising the Prime Minister while at a literary congress in Lisbon in May. Tragedy (a wet Tory, if anything) sees his independence as important, both in contrast to the prevailing political climate and to the stance taken by the rest of Rupert Murdoch's Times stable.

The director general of the BBC, Michael Checkland, is a lower middle class northern grammar schoolboy who was an accountant; his deputy, John Birt, is a working class Catholic who graduated from a grammar school (but both at Oxford, which has survived disestablishment). The Governor of the Bank of England, Sir Robin Leigh-Pemberton, cannot wield the power his predecessors did (a) because the Treasury has encroached its authority over the Bank and (b) because the regulation and internationalisation of the City has rendered the Bank's stabilising manoeuvres, though still important, less vital than they once were.

The Foreign Office's grandeur has declined hugely in the age of photo-opportunity diplomacy. Its other departments, it worries about the quality of its intake and even more about the quality of its drop-outs.

The Royal family, which has put a delicate toe in the Disestablishment largely through the medium of Prince Charles, miraculously survives while the Queen reigns. But the disestablished masses, who long ago feasted on Princess Margaret's post-Townshend emotional life, voraciously consume Royalty's dignity through the medium of the Sun, the News of the World and their imitators.

Only the recently emolled Sir William Rees-Mogg, chairman of the Arts Council, former editor of the Times, educated at Charterhouse and Balliol, seems to express establishmentarianism still within the Disestablishment. He does so by acting as a bridge between old and new conservatism and providing a ventilation for the moral angst which the actions of the Disestablishment have themselves stored up.

There are many defining characteristics of the Disestablishment, but one stands out above all. First, the Disestablishment's members see themselves as cutting with the grain. Their job, often, is to find out what people want and give it to them. Hence the importance of their materialistic, demotic, hedonistic values, values about which they are themselves ambivalent, since many of them - notably, the Prime Minister - are puritanical. Hence the centrality of the market to their self definition and to our society.

It is in the market that the Disestablishment sinks or swims. It is the market that the leading Disestablishment members have thrust into the Civil Service, the broadcast media, the arts, the schools, the City, industry and even Fleet Street. On Monday, we meet the kind of people who make up the Disestablishment.

AT MIDDAY last Wednesday, Professor Roland Smith, chairman of British Aerospace, was plunging through the London traffic looking forward to a good lunch in the City. A few miles away at 10 Downing Street, Sir Raymond Lygo, the group's chief executive, was at a celebratory meeting with Lord Young, the Industry Secretary, who thought he had just sewn up a deal to take Rover off the Government's hands. But back at BAe headquarters, a hitch was emerging.

The problem centred on the fine print of the agreement with the European Commission clearing the state aid accompanying the BAe-Rover merger. The terms immediately began to ring alarm bells with the company secretary who was unable to contact Smith, but who managed to reach Sir Raymond at Downing Street.

"Ray felt like the Japanese Ambassador at Washington when they bombed Pearl Harbor," said Smith yesterday. "Lord Young was telling everyone how good the deal was, and Ray had to interrupt and say 'I gather we have a little problem'. Smith himself got no further than his tomato juice at lunch that day. Within an hour he was on the telephone to Lord Young, unquestionably aware that he was plunging the industry Secretary into a serious political crisis. 'I spoke to Lord Young twice. I said that I was sorry, but that was it. We needed more time.'

It took the best part of the next 38 hours to resolve the impasse, which revolved around BAe's insistence that it needed flexibility to manage Rover in the future. Smith says that the company has now received a written commitment from the Department of Trade and Industry promising that the company will not be held rigidly to the detailed implementation of the Rover corporate plan. "What worried me," he says, "is that if we varied the plan - and businesses are dynamic - we might have been forced to give back some of the money we are getting."

Apart from a slight look of tiredness around the eyes, it was hard to detect yesterday that Smith had had very little sleep

Man in the News

Professor Roland Smith

The man who wanted just a little more time

By Terry Dodsworth and Kevin Done



for the previous two days. It is his ability to work gruelling long hours, yet to seem totally relaxed while doing it, that lies at the heart of Smith's success. Big and invariably cheerful, he describes himself as a strategist, a top level organiser who establishes the broad structure of a company, sets the main target for the operating team and then lets the executive management get on with it. Allied to this is a gritty northern charm and a natural ebullience which tends to rub off on subordinates. "For him, business is fun," says one of his associates. "It is very infectious."

Smith has been applying this formula to a wide cross-section of British industry over the last 20 years or so. Originally a full-time professor of marketing at the

University of Manchester Institute of Science and Technology, he began to pick up directorships in an era when marketing and business schools became fashionable with UK companies. It was not long before he was moving on to become a professional chairman, operating very much as a company doctor.

Several patients resisted his curative powers, notably mini conglomerate Barrow Hepburn, where profits stagnated for years, Midland Aluminium, taken over after losses, and Moben, the kitchen furniture group, which was also sold after a series of financial crises.

Smith insists that these days most of his companies are "doing smashing", as he puts it in his broad Lancastrian. Whatever the

problems in the past, he moved steadily closer to the centre of British corporate power, becoming a genuine public figure in 1980 when he took over the chairmanship of House of Fraser, the Harrods department store group. It was widely expected that this would prove his nemesis. Instead, he showed a flair for promoting his position as he faced a long-running takeover attempt from Mr Tiny Rowland, chief executive of Lorrho and a member of the House of Fraser Board.

Smith is still chairman or a director of "about five" companies. Nevertheless, he has returned back on non-BAe commitments. He has, for example, just resigned his Manchester university post, although he will become an Emeritus Professor

and will still give a few lectures. "I shall always be a professor," he jokes. "That's a brand."

This professional streamlining suggests that, at the age of 59, Smith sees BAe as a job that will take up an unusually large part of his time. There is no doubt that he believes the company has a central role to play in the British economy. "With the addition of Rover," he says, "we have become the biggest manufacturing company in the UK and the largest exporter. The way we use our power in the City and the way we employ has become very important to Britain."

Only a couple of weeks before the Rover deal, BAe demonstrated this pivotal position as lead contractor in the Saudi Arabia arms deal, a contract that could earn the City and "boost the economy" by £2.5bn for the company. But the group is also faced with some hefty problems. One of these is the restructuring of Rover, an endemic loss-maker that has run up an accumulated deficit of £2.5bn in Government hands. Smith confirms that this reorganisation will involve a move towards more up-market models and some juggling of assets.

Another is the Airbus programme. BAe is the UK partner in the venture and is pushing for both managerial changes and government guarantees against losses. Smith says that the acquisition of Rover, which removes the DTI's most troublesome industrial asset, had nothing to do with his lobbying on other government issues. "But the last few days have shown that he can play the government-industry game in which BAe is involved with a great deal of finesse."

Longer term, he is aiming to drive the newly-formed group towards a return on sales of about 10 per cent. "Sir Isaac Wolfson told me years ago," he says, "dropping into the inevitable anecdote, 'that this was the optimum return on turnover. If you make more than 10 per cent you will encourage competition, and if you make less, you will go bust.' Last year, incidentally, both BAe (after exceptional items) and Rover were in loss,

INDEX-LINKED SAVINGS

NOTICE OF FINAL SUPPLEMENT

If you have Retirement Issue or 2nd Index-Linked Issue Savings Certificates and you keep them until 1 August 1989 you will receive one final supplement of 1.5%.

The 1.5% supplement is on top of index-linking and all supplements earned since 1983. And you earn 4% bonuses at the 5th and 10th anniversaries of purchase. All tax-free.

Index-linked Save As You Earn contracts will receive the final 1.5% supplement on top of index-linking on 1 September 1989. All tax-free.

Index-linking will continue after these final supplements.

NATIONAL SAVINGS

J.P. & Co. Ltd

Clive Wolman and Richard Waters report on the crackdown on fringe investment firms — and the damage their victims suffer

The clean-up starts to gather pace

AS THE stones are kicked away, all the maggots beneath that have been feeding and waxing fat over the years have been exposed to the light for the first time and forced to flee for their lives.

That is how one official of the Securities and Investments Board, the UK's chief investor protection agency, described its crackdown on the fringe operators and more dubious investment firms which is expected to gather pace over the next few weeks.

Several dozen firms — commodities brokers, insurance brokers, fund managers and investment advisers — have been placed on a black list by the SIB or one of the five self-regulating organisations (SROs). They will be put into liquidation by the courts at the request of the SIB, or subjected to a mass of restrictions on their business activities.

The SIB's get-tough policy has come earlier than expected and most of its targets have expressed bewilderment at the speed of its response. In contrast to the hesitancy of the Department of Trade and Industry, which previously had regulatory responsibility, the SIB explains that it often prefers to give as few clues as possible to a company when contemplating drastic action for fear that its shredders will start working overtime and its owners will catch the next flight to the Caribbean.

Although the new regulatory regime was scheduled to come fully into force at the end of April, it has only started to bite now. Because of delays in setting up the new structure in accordance with the 1986 Financial Services Act, all the dubious applicants for authorisation as investment businesses had to be awarded interim authorisation on April 29 on the same basis as legitimate companies.

The process of sifting through all the 10,000 applications that flooded in before the February deadline and weeding out the undesirable ones — and then allowing them to go through a lengthy appeals procedure — still has a long way to go. Those investment firms which are determined to fight non-authorisation all the way are unlikely to have exhausted all the appeals process before early next year. There is likely to be another wave of closures early in 1989.

The SIB has been emboldened by the effectiveness of its action against the Barlow Clowes gilt-edged management firms, which collapsed owing investors £33m after being shut down by the SIB in May. Since then it has decided it cannot afford to leave those firms suspected of the most serious offences to exploit the appeals procedures so they can continue to take money from investors for as long as possible.

Its powers are less fettered than those of the DTI under the previous legislation. In particular, it has immunity from being sued if it wrongly takes action to close down a firm which turns out to be an innocent victim. Its decisions can be subject to judicial review, and at some stage the SIB's moves will inevitably be challenged in the High Court. But the SIB is confident that, provided it has followed the correct procedure and demonstrates at least some cause for its actions, they will not be overturned.

So far, three of the five targets of the SIB crackdown, plus another firm refused SRO authorisation, have been commodities and futures firms. One reason that the SIB has placed commodities firms first in the firing line is that they are speculating on much more volatile instruments, thus putting investors' money at much greater risk.

But the more important reason is that commodities and futures trading has long been the most lightly regulated area of investment. Until this year more than 100 commodities firms were matched to an exchange and subject only to general Companies Act legislation.

Most of the spectacular investment frauds of the last six years have involved commodities firms such as M.L. Duxford, Miller-Carnegie, the companies of Mr Justin Frewin and Mr Keith Hunt, and a large number of German and other foreign-owned companies that have used London as a base to attract money from foreign investors. The clumsiness of the old regulatory system was highlighted by Mr Hunt's success in 1982-83 in drawing in several million pounds each month by an aggressive newspaper advertising campaign whilst committing little or none of the money to the futures markets. When the DTI finally sent in investigators, he disappeared — as did most of the money.

The three commodities firms shut down over the last two months are different. Two of them, Stox and DPR Futures, have been accused of aggressive telephone selling and charging excessive commissions and taking other forms of remuneration which were not explained to investors. Both were regarded as imitators of another, much larger firm, LHW Futures, which is fighting hard to gain authorisation by distancing itself from its past.

The Association of Futures Brokers and Dealers, the SRO covering commodities firms, says that 130 of the 980 firms which applied for authorisation still have interim status of which 80 are being examined more closely. A much quieter process of weeding out has been going on amongst the applicants to the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA), the SRO which has the largest number of applicants. It has authorised 7,300 investment firms and has yet to decide the fate of another 2,380 firms with interim authorisation.

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FIMBRA's 90-strong staff were authorising applicants at a rate of up to 300 a week, but this figure fell back to only 136 last week as the harder cases start to be tackled.

FIMBRA has so far refused authorisation to 30 firms of which several have started the appeals procedure. Its most dramatic moves have been to freeze their administrative systems.

SA says that about 50 of its 977 applicants are "requiring close scrutiny" but that the number of firms which will not be authorised will be considerably lower than this figure. TSA has told many of these firms that if they get their procedures and records into order, authorisation will follow.

All the SROs expect to clear most of the backlog of interim authorised firms by the early autumn, not long after the SIB-sponsored compensation scheme which comes into effect on August 27. This scheme will reimburse clients of authorised investment firms which become insolvent up to a maximum of £45,000. Clearing the backlog will leave only two categories of firms without full authorisation. One may be the UK branches of overseas banks and other financial institutions. Their applications are being held up because the SIB is hoping to hand over the responsibility for monitoring their capital to their home-country authorities, and is unlikely to arrange that by the autumn.

The other category of interim authorised firms will be the handful of perhaps 100 which have been refused authorisation by the SIB because their practices are not sufficiently outrageous as to merit immediate closure (although some may be subject to confidential notices restricting their business). If you come across an interim authorised firm after October — one which is not a foreign bank from a well-regulated jurisdiction — you ought to think twice before handing over your money to it.

The private investor needs continuity and the individual member of the London Stock Exchange and on the whole, the smaller firms have provided this. The public and the Government have an interest in ensuring that the larger firms do not force the small investor out of one of the most efficient and respected share markets in the world. Action is now required from as many people as possible to ensure the continuation of a system which has served the public very well indeed for many years.

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Ignorance, gullibility, insecurity or greed

A CURSORY READING of the financial pages of newspapers in recent weeks might suggest that the investment world had succumbed to the malign practices of deviant fund managers, financial intermediaries, futures-pushers and assorted other unattractive investment practitioners.

In fact, such activities have been around for as long as people have invested money and investors' tales of woe are equally familiar. The bad ships and suffering are the same: only the people concerned and the amounts of money change.

Take the following disgruntled investors last week: "It was most of the lump-sum I got on retirement, plus some savings. I'm very upset." "I suppose I was feeling a bit high, I'd made a bit of money on shares and I thought I'd take a risk."

"I don't play the horses, I'd rather play a hand that I have some control over. But I got my fingers burnt." The comments come from a retired school teacher from north London, a senior employee of a US bank in London, and a college lecturer from Nottinghamshire. They are people divided by class, wealth, sex and geography, but linked by one thing: a feeling of hurt and injustice that they lost money through what they claim is no fault of their own.

If their comments read as though they have come from a book of clichés for the impoverished, it is because the people uttering them find themselves cast in the same humiliating role. Other people's reactions are equally clichéd. A stock response is: it serves them right for being stupid. But in reality many people's investments, in one way or another, have been vulnerable to manipulation in the past — something the new investor protection regime is meant to cure.

The ways in which investors are "booked" vary enormously. The general rule, though, is to play upon their lack of knowledge, their gullibility, their insecurity and, in some cases, their greed.

Mrs Rita Vimal, who retired from teaching in 1984, was wise enough to take advice on how she should invest her lump sum she received on her retirement. Along with about 14 other teachers, she attended a financial planning seminar organised by her local authority.

She was eventually recommended to an independent intermediary, investment and Pensions Advisory Service, by a former colleague. She was not to know that she was contributing £15,000 of the millions of pounds which IPAS clients invested in Barlow Clowes.

Like many other Barlow Clowes investors, she was lured by the security of investing in British Government securities and the promise of high returns. On the other hand Mrs O, who has a senior position with an American bank in London and asked for anonymity, succumbed to the temptation of the potentially huge profits from futures trading. Like Mrs Vimal, she was given a recommendation by a colleague.

In the event she lost £2,000 in a matter of weeks — not her life savings, but then "Who can afford to lose £2,000?" Did she think people like her had acted stupidly? "Yes, it is 50 per cent true, of course. The public is stupid sometimes. But we were pressured."

Another DFR client, Mr Cedric Isaac from Nottinghamshire, says he was pestered over the telephone at home and at work until he agreed to invest in futures. Even after he had lost £6,500, and nine months after he had closed his account with DFR, he received a call from a hopeful salesman promising spectacular rewards in soy futures. That was three weeks ago, just two weeks before the firm's business was frozen by the Securities and Investments Board.

The methods by which these investors lost their money is equally varied. Barlow Clowes investors' money is alleged to have been invested into a range of private companies, as well as into assorted boats and properties. They still do not know how much of their investment they will see returned. Mrs Vimal is lucky: she invested in the UK fund, which has only a slight deficiency in its assets by investors' claims on the off-shore fund.

On the other hand Mr Brian Pendry, a chartered accountant from Surrey, saw his £7,500 investment through futures firm LEW chewed up in around three months. He estimates that 80 per cent went in commissions, while the money that actually found its way into futures contracts "lasted for just one spin of the market's giant roulette wheel."

Mr Isaac, another futures investor, believes that most of his investment in LEW disappeared in what he claims were exorbitant commissions. "I don't mind losing money, as long as I have control over it. If I'm stupid enough to go and buy a stock and it goes down, that's my own fault," he says. There is one factor above all which makes his business a sense of outrage that they have lost money in companies which appeared to be sound, but which are now alleged to have indulged in various illegal or unethical practices.

The Financial Services Act is meant to prevent such companies from operating. But it is a bold person who would claim that the age-old tales of loss are now a thing of the past.

Transposing names

From Mr Peter Warner. Sir, Simon Tait article about the location of Shakespeare's Globe Theatre (Weekend FT, July 9) is illustrated by Wenceslas Hollar's 1647 etching. This shows the Globe on the river's edge with the bear ring island of it. Mr Tait states that the Globe was not on the waterfront and that the bearing ring island and the bear ring island were transposed.

The Midland Bank calendar for 1988 reproduces a print dated 1572. This pre-dates the Globe Theatre but it does show the bearing ring ("Bears Bayting") in much the same position as the later map, and certainly not at the water's edge.

It is not possible that Wenceslas Hollar was right after all. Hollar's 1647 map does not show the bull ring (the "Bovill Bayting" on the 1572 print). Would this have already been demolished?

Peter Warner, Floral Church Lane, Evesham, Worcester

Letters to the Editor

Polarisation: best advice and who can provide it

From Mr Hugh Starfield. Sir, Barry Riley's article on polarisation (Weekend FT, July 9/10) shows some basic misunderstandings which need to be put right. Best advice and who can provide it lie at the heart of the polarisation issue, in a marketplace where 25-year endowment policies have been insured for less than £20,000 to over £50,000.

So the company the consumer chooses matters very much. And the consistency with which some companies appear in the top sector of the league table year after year is a feature worthy of note. The salesman who is tied to one company must recommend his own office whether it be at the top or the bottom of the league.

From Mr William P. Ridley. Sir, I was slightly bemused to read in Joe Rogaly's review of a book by Thomas (The Body's Not for Judging), Weekend FT, July 2/3) that she was lucky to be Prime Minister and have the trend in political thinking going her way.

Did not luck also allow Churchill, Attlee, Macmillan, Wilson et al to become prime ministers (only Eden was an obvious choice). Clearly the trend of thinking is also important, but judgement has to be — as it is in business — on the extent to which this tide can be deployed. Would William Whitelaw have followed similar policies to Mrs Thatcher?

From Mr Robert Nott. Sir, In his review of Kenneth Harris's book (Weekend FT, July 2/3) Joe Rogaly is less than fair to Mrs Thatcher.

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The relevance is not clear

From Dr John Eastwell. Sir, Your Leader (July 9) stated that "a current account deficit of £10bn could almost certainly be financed for a year or two, by a low-inflation, high-growth economy with net external assets of £165bn at the end of 1986" (emphasis added).

From Mr Robert Nott. Sir, In his review of Kenneth Harris's book (Weekend FT, July 2/3) Joe Rogaly is less than fair to Mrs Thatcher.

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Table with columns: Product, Applied, Net, Interest, Minimum, Access and other details. Lists various investment products and their terms.

UK COMPANY NEWS

BAT says bid ruling favours management

BY NICK BUNKER

BAT Industries, the tobacco-based multinational, insisted yesterday that it was determined to press ahead with its \$4.5bn (£2.7bn) hostile bid for Los Angeles-based insurer Farmers Group.

As lawyers from BAT began poring over the Oregon insurance department's 56-page ruling, the British group said it appeared to be aimed at protecting the interests of Farmers Group's management rather than its policyholders.

BAT said that a cursory reading suggested the decision by Mr Theodore Kulonowski, the Oregon insurance commissioner, had reached conclusions that were "contrary to law and unsupported by the record and the facts."

Lawyers for BAT in the US now have to formulate a response however without any clear local precedents to guide them.

Mr Lee Weinstein, Mr Kulonowski's executive assistant, said late on Thursday that BAT had two options. It could file an amended application for regulatory approval, so as to overcome the commissioner's objections, or appeal the matter within 60 days to a judge in the local Marion County Court.

But, Mr Weinstein said: "This is the first time we have ever had

a case of a well-managed company like Farmers being acquired by a larger company seeking to diversify."

BAT admitted that it was "astonished" by Mr Kulonowski's ruling, which has found against BAT on virtually every count possible under the state's insurance code. Oregon accounts for about 3.2 per cent of Farmers Group's business.

For example, BAT noted ruefully yesterday that one of the very few points on which Oregon had not objected to was the question of BAT's involvement in South Africa, an issue which generated political protests in the state during the eight days of regulatory hearings there.

On a more hopeful note for BAT, the British company has 50 per cent of 21,064,879 shares representing 31 pct of Farmers Group's common stock, in response to its \$63 per share tender offer.

Farmers Group said the Oregon verdict was "a significant setback" for BAT, which it believed would face similar difficulties in the remaining six states where regulators have to approve the bid.

BAT has so far received approval from one state, Arizona. Later this month it is due to have a court hearing in California to challenge that state's ruling that the bid cannot go ahead.

Lewis's deal clears £73m buy-out cost

BY RAY BASHFORD

Lewis's, the Manchester-based department store chain, has signed an \$80m sale and lease-back agreement with Capital and Counties which clears the cost of last May's management buy-out from Sears Group.

Seven of the company's 10 department stores were included in the package and plans were held for major modernisation and development.

Capital and Counties had also acquired the right to take a 25 per cent interest in Lewis's through the conversion of £20m of redeemable preference shares in the next 10 years in return to Capital and Counties.

Lewis's has decided to retain the Manchester head office because of what Mr Fyfe describes as the "fluid" situation in the city's property market.

Mr James Fyfe, chairman and chief executive, said the timing of the flotation would depend on when the modernisation programme was completed, but would be at least 4 years away.

Lewis's turnover last year was £150m, returning a pre-tax profit of £7.7m. Mr Fyfe said in the current year profit would be £7.7m.

Interest charges on the funding of the buyout were running at 28m a year. Mr Fyfe said with these settled and the deal in place, the company would be paying 10m a year in rent to Capital and Counties.

Lewis's has decided to retain the Manchester head office because of what Mr Fyfe describes as the "fluid" situation in the city's property market.

Wray heads Chartsearch

BY VANESSA HOULDER

Mr Nigel Wray, the entrepreneur whose property company Gilbert House merged with Singer & Friedlander last year, has become chairman of Chartsearch, the newsletter and book publisher, after increasing his stake to 44 per cent.

Mr Wray said he expected to make some substantial deals that would broaden Chartsearch's range of activities. The existing print sheet business will be continued but not expanded, he said.

Chartsearch announced on Thursday that Mr Wray had bought 14.2m per cent of its shares at 30.5p from Mr John Gommies, the present executive

chairman, who now holds 23.3 per cent. Mr Gommies will become deputy chairman and chief executive.

To comply with takeover rules, Mr Wray has made a cash offer for the whole of the company, at 40p per share. However, further acquisitions are unlikely as the market price of Chartsearch yesterday stood at 86p. The share price rose from 35p three weeks ago, and put on a further 28p after the announcement.

Mr Wray is also deputy chairman of Singer & Friedlander and a director of Carlton Communications.

Clayform has 40.97% of Stead

With the contested \$108.1m bid by property group, Clayform, for shoe retailer Stead & Simpson due to close at lunchtime today, the predator announced yesterday that it had picked up a further 6.347 ordinary shares (0.4 per cent) on Thursday, and another 4,236 shares yesterday.

This takes its holding of the

key voting share class to 40.97 per cent. No figure has been published for acceptances, but the stake itself is some way short of the 50 per cent level needed for victory.

"We're as confident as we ever have been," was the cautious comment from S.G. Warburg, advisers to S & S.

Task Force 46% ahead

INCREASED contributions from all divisions and two months' share from the latest acquisition helped Task Force Group to lift first half profit by 46 per cent. Mr Tony Martin, chairman, pointed out that traditionally the demand for services was greater in the second half.

Early indications were that the trend would be established again.

Turnover in the six months ended May 31 1988 rose 56 per cent to £10.13m, while the profit came to £719,000 (£492,000).

Earnings were 5.9p (4.3p) and the interim dividend is 1.2p (1p).

The group, which is quoted on the USM, serves the computer, industrial and secretarial markets.

Boustead in £17m expansion move

BY CLARE PEARSON

Boustead, the once ailing overseas trader which has been restructured by new management over the last year, yesterday announced three UK acquisitions for a combined £17m.

These are the company's first purchases since Mr Michael Noskes, previously a divisional director of BTR, was brought in as chief executive last July.

Boustead is buying Camotech, a maker of automotive components, plastics and aircraft seats; JAMF, a supplier of floor cleaning products and accessories; and Porchbrand, a distribu-

tor of bearings and power transmission components.

The last company's operations dovetail with Boustead's existing UK interests in manufacturing and distributing industrial power transmission components.

Maximum number of Boustead shares which could be issued under the three deals would be 22.35m, or 37 per cent of the enlarged share capital.

Camotech, a Third Market company, is being bought for £9.5m in an eight-for-three share deal, which values the shares at 136p each. There is a cash alter-

nothing hurt Mr Norman Davis more than the key. Everybody was asked to have his picture taken with the six-foot Yale key - except for him, the man who had just completed the arduous negotiation of the contracts for Yale's \$285m acquisition of Yale Securities and NuTone, a deal which quadrupled the size of the group.

When Mr Davis recalls June 1 last year, the key sticks in his memory. It symbolises the abrupt falling out which emerged last summer between him and Mr Michael Montague, an old friend and chairman of the subsequently renamed Yale and Valor.

But more important for Mr Davis's future and his bitter dispute with Mr Montague, was the board meeting that day convened to approve the US acquisition.

Mr Davis, a director of Valor for 19 years, a finance director for much of that time, says the board agreed to appoint him vice chairman - his price for publicly supporting the US deal despite a rift with Mr Montague.

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The row eventually led to Mr Davis's departure from Yale and Valor in May with a \$400,000 payment to him and a £25,000 contribution to a charitable trust.

When Williams Holdings disclosed on Tuesday that it held 2.9 per cent of Yale and Valor, only the timing of the move was curious to Mr Montague. "I was very surprised that following the stock market crash somebody didn't take advantage of our then very low share price. We expected it."

"We were on standby," he continued. "We were scrutinising share transactions very carefully. To our great surprise, no one had the courage to do it until after our figures were published."

It was, in fact, the results for the year to March 31, reported on June 15, which set off the rush for Yale and Valor shares. In only a month, they have risen by 21 per cent to 449p, giving the group a market value of £467m.

With a nine-month contribution from Yale and NuTone, the group made pre-tax profits of £54.5m on sales of £298m. A more important figure, perhaps, was earnings per share of 24.4p, down only marginally on the previous year's 24.5p, a smaller dip than the industrial group's forecast when it launched its £285m rights issue last summer.

Moreover, the mid-June recovery in the dollar suddenly made Yale and Valor - dependent on the US for 90 per cent of its earnings - much more attractive.

Mr Montague admits that the group had not proven its case until last month: "Sweet words are no substitute for figures."

Williams had been one of five companies on Yale's short-list of possible predators.

"Two American companies had cast mischievous smiles at us just after the stock market crash," Mr Montague said. "They smiled sweetly at me, congratulated us on our success in America - which at that time was more recognised there than in Britain - and suggested that a relationship, not a bid, might be in our mutual interest."

Both were mature companies of a size which could "readily" afford to bid for Yale and Valor, he said. It only emerged yesterday, meanwhile, that one of them - the industrial group Ingersoll Rand - had recently bought a share stake slightly smaller than that held by Williams.

In the UK, as well, Yale and Valor was the target of what Mr Montague describes as "slight courting" from two large industrial companies.

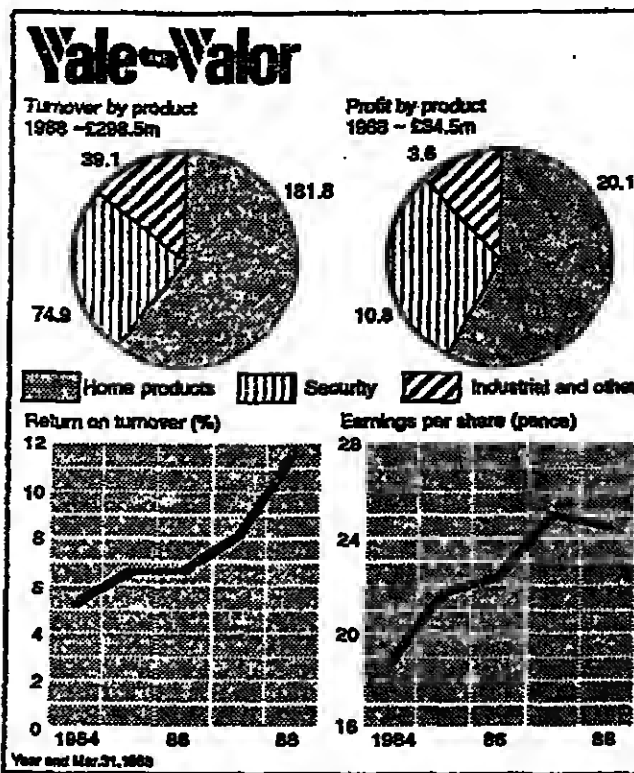
Having wooed institutions last year to convince them to back the financing for its ambitious US takeover, Mr Montague does

Clay Harris reports on the long-running management row at Yale and Valor

The key that turned a treasured relationship



Norman Davis: partnership breakdown



Michael Montague: 30 year relationship

As to the current controversy, Mr Montague says: "The composition of the board and arrangements for managing the company are under continuous review. They are changing all the time."

"Frankly, Mr Davis knows that I favoured the appointment of a chief executive. Mr Davis knows that headhunters had been retained, and he knows that a short list of candidates was identified. However, none of them was thought to be quite ideal."

Mr Davis claims, however, there has been ample time to find a suitable candidate. "It's a will to appoint a chief executive that I think is absent," he says.

"It's time to bring someone in at the next stage - our next major expansion," says Mr Montague. "At the moment, we have a winning team which has been doing so well that we don't want to disturb it."

In the City, Mr Davis has been more openly received than many disaffected ex-directors might expect. In part this reflects the knowledge of his key role in building up the group in part, an instinctive feeling that Yale and Valor may indeed need a stronger central management considering its size.

However, the company has won admiration for the strong executive and non-executive team assembled to run the US operation, and the public nature of Mr Davis's campaign may have proved counter-productive to the immediate success of his declared aims.

"Washing dirty linen in public does nobody any good," says Mr Montague. "It is a view echoed in the City."

Although only they know exactly what has transpired over recent months, both men say they are saddened by the way things have turned out.

Mr Davis speaks of a "breakdown - for no apparent reason - in a very successful partnership. The dispute related to our roles in the company," Mr Montague says. "I had hoped he would continue with his particular skills as a negotiator of contracts. I'm very genuinely sad that it led to the end of a relationship which I treasured greatly and still do."

Williams raising £20m via unlisted preference issue

BY CLAY HARRIS

Williams Holdings, building and engineering products and consumer goods company, is to raise £20m through an unlisted issue of 10-year redeemable preference shares to a fund managed by Murray Johnstone, Glasgow-based investment group.

It plans to seek authority to issue a further £20m of the same shares. The first tranche will pay a net dividend of 5.525 per cent, with terms of subsequent allocations to be fixed at the time of issue.

C&W chief has pay cut by 20%

By Hugo Dixon

Mr Eric Sharp, the chairman and chief executive of Cable & Wireless, the international telecommunications company, suffered a 20% pay cut last year. The company's annual report, published yesterday, showed that his remuneration fell from £259,000 to £207,000.

Mr Rod Olsen, the finance director, explained that this was because pay was very closely related to performance at C&W. The company's pre-tax profits grew by only 5 per cent in 1987/88.

October crash cuts LIT profits

BY VANESSA HOULDER

FALLOUT FROM the October crash prompted a sharp drop in profits for LIT Holdings, the futures and options brokerage group which yesterday announced pre-tax profits of £3.5m against £5m on income of £44.2m to £50.1m for the year to end-March.

Mr Michael Middlemas, chief executive, who joined the company at the end of last year, said the exceptional events of last October, the impact of the weaker dollar and other extraordinary matters, were responsible for the "disappointing" overall performance.

Now the problems of last year were behind the company, he

was "quietly confident" about the current year. LIT had increased its capital base, improved management resources and broadened its range of financial products through acquisitions, he said.

Although profits from operations were almost static at £5.8m, the results suffered from an exceptional debit of £2m from trading losses and bad or doubtful debts incurred after the stock market crash.

In addition, interest charges increased from £620,000 to £1m. The impact of the weaker dollar on the profits of the US operation reduced profits on translation by £0.5m.

An extraordinary item of £1.3m comprised reorganisation costs, payments to former directors, leases and costs arising from a Eurobond fraud case involving former employees and tax provisions.

Profits clearing and broking accounted for £46.6m (£38.5m) of turnover, while securities clearing and broking accounted for £3.7m (£4.2m) and head office activities accounted for £500,000 (£508,000).

Earnings per share fell from 2.06p to 2.02p and net assets increased from 30.1p to 20.4p. A final dividend of 0.36p has been recommended, making an unchanged 1.5p total for the year.

DTI backs water changes

By Andrew Hill

The Department of Trade and Industry is broadly in favour of changing the Companies Act so parts of it apply to the UK's 25 statutory water companies.

However, any alterations would probably have to wait until next year. By then they may have been overtaken by proposals included in the Bill to privatise the water authorities, due in autumn.

Brown Shipley, adviser to Eastbourne Waterworks, wrote to the DTI in May, suggesting the current situation discriminated against statutory companies, private sector bodies which are not registered under the Act.

In its reply, the DTI says the companies could be brought under Part VI of the Act. This would require investors to declare interests of 5 per cent or more in the statutory companies. At present they need only disclose holdings when they reach 15 per cent of the voting capital.

Eastbourne Waterworks has been unable to discover the ultimate holders of two nominee stakes amounting to just under 15 per cent of the company's voting capital. The stakes are held by Bank of New York nominees and New Court nominees, but were acquired as one holding by Cantrade nominees in January.

Hodgson plans autumn listing

By Andrew Hill

Hodgson Holdings is set to become the first UK funeral director with a full stock market listing. The company, one of three funeral directors quoted on the Unlisted Securities Market, plans to seek a listing this autumn, but does not intend to raise additional funds with the move.

The group has also announced a further 12 acquisitions for a total of £25.8m in cash, and the disposal of two coffin-making businesses for £350,000 cash. The capital raised from the disposals - and the additional sale of related property to raise £150,000 - will be used to expand the core funeral directing business.

Hodgson - the UK's largest funeral director after the Co-op - has bought 41 funeral businesses since October and a total of 86 since the company came to the USM in June 1986.

Drayton Far Eastern

Drayton Far Eastern Trust reported net asset value of 356.75p of June 30 1988 against 284.25p at the end of December and 287.375p a year earlier.

Net revenue for the six months was £229,000 (£12,000) for earnings per share of 1.35p (0.07p). Interim dividend is again 0.4p.

Wentworth advances

Wentworth International Group, USM-quoted polythene film and bag manufacturer, increased pre-tax profits by 13 per cent to £305,880 in the year to March 31. Turnover was £5,68m (£4,97m).

An unchanged single final dividend of 1.75p is recommended. Earnings rose from 4.8p to 5.1p.

Marina Development

Marina Development Group, marina operator, reported a surge in pre-tax profits from £79,000 to £1.31m for the year to March 31. Turnover rose to £3.28m (£4.78m). Earnings per 50p share were up from 1.6p to 9.1p. The company is paying a dividend of 1p - the first since it came to the USM.

Victoria Carpet

Profits of Victoria Carpet Holdings recovered from a depressed £1.54m to a record £1.54m pre-tax for the year to end-March. Turnover grew 7 per cent to £32.8m. Earnings rose to 17.85p (16.25p) per share and the dividend is stepped up from 2.75p to 3.06p.

Beaverco profits jump by 32%

Profits at Beaverco, fire-resistant foam maker, bounced 32 per cent to £1.58m in the year to March 31 over through the results included no benefit from the stringent new UK regulations about furniture flammability, which propelled the group to the technological forefront of the £100m-a-year foam market.

Two new factories have been acquired and the capacity of a third doubled in order to cope with increased business which the company estimates could boost sales by more than £4.5m, and increase UK market share from 12 to 15 per cent.

Beaverco also plans to raise £2.8m by way of a placing and open offer of 1.5m shares at 180p. Shareholders will be offered the provisionally placed shares on a two-for-one basis.

Mr John Lees, chairman, said the company was looking eagerly towards Europe for further expansion opportunities.

A final dividend of 4p will raise the total to 5.7p (5p). Earnings increased to 18.5p (15p).

Wilshaw suspended

Shares in Wilshaw Securities were suspended at 34p yesterday pending the expected announcement of an acquisition.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corres. div	Total for year	Total last year
Anglo & Overseas -int	1.35		1.25p	5.7	3.75p
Beaverco -fin	5.1p	Sept 1	0.4	1.5	1.5
Drayton Far East -int	0.4	Aug 26	0.98	1.5	1.5
LIT Holdings -fin	0.36p		0.7	1	1
Marina Devt -fin	0.7	Aug 26	1.2	2.9	2.9
Symonds Eng -fin	1.9	Oct 14	2.75	3.05	2.75
Bank Force 5 -int	3.05	Oct 7	1.75	1.75	1.75
Victoria Carpet -fin	3.06p				
Wentworth Int'l -fin	1.75				

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. USM stock. ‡Unquoted stock. †Third market.

LONDON RECENT ISSUES

LONDON RECENT ISSUES

EQUITIES

Code	Company	Price	Change	High	Low	Open	Close	Div	Yield	Vol	FE
0200	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0201	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0202	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0203	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0204	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0205	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0206	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0207	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0208	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0209	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0210	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0211	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0212	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0213	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0214	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0215	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0216	Anglo Overseas	220	+	220	220	220	220	1.35	2.2	40	11.6
0217	Anglo Overseas	220									

INTERNATIONAL COMPANIES AND FINANCE

IBM announces healthy earnings rise to \$1.3bn

BY JANET BUSH IN NEW YORK

INTERNATIONAL BUSINESS Machines, the world's largest computer manufacturer, yesterday announced a healthy increase in second quarter net earnings...

DG Bank in negotiations with Spanish institutions

BY PETER BRUCE IN MADRID AND HAIG SIMONIAN IN FRANKFURT

DEUTSCHE Genossenschaftsbank (DG Bank), the umbrella organisation for West Germany's co-operative banks, is poised to steal a major march on its leading French and Dutch counterparts...

Bond wins goahead to lift stake in Bell

By Our Financial Staff

MR ALAN BOND yesterday moved to secure the proposed merger of his brewing and media companies with the Bell empire...

Alan Friedman on the latest asset disposal by Italy's Ferruzzi group Problems pile up for Gardini

MR RAUL GARDINI, the head of Italy's Ferruzzi-Montedison group, as of yesterday, had an incredible number of difficult issues on his plate.

All sorts of questions have begun sprouting forth in the wake of the news that Montedison's financial services and retailing subsidiary - Iniziativa META - has agreed to sell its 70 per cent stake in Standa...

gest insurance company. Following the Ferruzzi/META asset move, the unquoted Ferruzzi will take META's share listing in Milan.

The Ferruzzi/META deal has already been severely criticised by Milan analysts as an asset-stripping operation that rides roughshod over the interests of the 10,000 small investors and the minority shareholders of META.



Raul Gardini: many difficult issues on his plate

For its part, Ferruzzi said yesterday that the entire matter will be discussed at a meeting of the META board next week.

fortnight, another important deal that is designed to reduce his Ferruzzi-Montedison group's combined debts of L11,000bn (\$8bn).

In the Montedison-Enichem deal, which will see Montedison transferring most of its base chemicals, fertiliser, artificial fibres and elastomers assets to the new joint venture...

NZ group sells Reuter holding

BY DAI HAYWARD IN WELLINGTON

INDEPENDENT Newspapers (INL), the Wellington-based publishing group, has sold a parcel of Reuter shares for NZ\$18.5m (US\$12.2m) to raise funds for its long-term acquisition of the Auckland Evening Star from the New Zealand News group.

resources on the morning paper in its head-on battle with the NZ Herald, New Zealand's largest newspaper.

Adia advances in first half

By John Wicks in Zurich

ADIA, THE Swiss employment agency group which claims to be the world's biggest, reports a 22 per cent turnover for the first half of 1988 and an even sharper increase in profits.

Consolidated revenues rose from SF9.11m to SF11.1m (\$719m). As a result of improved productivity and a strategy of specialising in premium market segments, profits growth outstripped the expansion in revenues.

Interco chairman to propose restructuring

By Our Financial Staff

MR HARVEY Saligman, chairman and chief executive of Interco, the US clothing and general retailing group, said he intends to recommend a major restructuring of the company at its next board meeting.

WORLD COMMODITIES PRICES

Week in the Markets

SUGAR TOOK the leading role in the London commodities scene this week as speculative activity drove world market values to the highest levels for seven years.

opening, they had to look elsewhere for sugar. And it was the fundamentally-bullish sugar market that mostly took their business.

US crop, sugar's accelerated advance over the last few weeks has been fuelled by strong physical buying, notably by China. Other countries buying physical sugar recently have included Iran, Iraq, Algeria and Egypt.

Cocoa prices built on the comparative strength of recent weeks with the September futures position climbing to \$1,058 a tonne at one stage, and market turnover scoring a record 19,492 lots on Thursday.

IN CHOPPY and nervous trading, the grain and soybean complex opened lower than rallied back as the market assessed forecasts indicating the market would be tight.

higher and prices have been retreating. Lead's premium, disappointed last week, is now trading with a modest contango.

Table with columns: Commodity, Latest prices, Change on week, Year, High 1988, Low 1988. Includes Gold, Silver, Aluminium, Copper, Lead, Nickel, Zinc, etc.

Table with columns: Commodity, Close, Previous, High/Low, AA Official, Cash close, Open interest. Includes Wheat, Soybeans, Corn, etc.

Table with columns: Commodity, Close, Previous, High/Low. Includes Gold, Silver, Platinum, etc.

Table with columns: Commodity, Close, Previous, High/Low. Includes Copper, Soybeans, Corn, etc.

Table with columns: Commodity, Close, Previous, High/Low. Includes Soybean Meal, Soybean Oil, etc.

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WORLD STOCK MARKETS

NEW YORK (3 pm)

Table of stock prices for various companies in New York, including IBM, AT&T, and General Electric.

NEW YORK (3 pm)

Table of stock prices for various companies in New York, including American Express and Coca-Cola.

NEW YORK (3 pm)

Table of stock prices for various companies in New York, including McDonald's and Nike.

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Table of stock prices for various companies in New York, including American Airlines and Ford.

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Table of stock prices for various companies in New York, including Johnson & Johnson and Pfizer.

NEW YORK (3 pm)

Table of stock prices for various companies in New York, including Merck and Amgen.

NEW YORK (3 pm)

Table of stock prices for various companies in New York, including Bristol-Myers Squibb and Genentech.

NEW YORK (3 pm)

Table of stock prices for various companies in New York, including Amgen and Genentech.

Wall Street

US deficit figures lift \$ and markets

High tech issues were sold off due to anxiety over the trade data, investors bought up large capital stocks later in the day.

Paris

Trading was thin in Paris with many taking a long weekend following Thursday's Bastille Day holiday.

Canada

Stocks showed a slight gain in moderate trading and at midday the composite index was up 0.5 to 3422.3 on turnover of 18.8m.

Tokyo

A day of wide fluctuations ended with the Nikkei index slightly down. Investors initially tried to shrug off concerns ahead of the release of US trade figures but failed to keep up the momentum.

Frankfurt

A quiet session ended with modest gains as the rising dollar raised earnings prospects for West Germany's export-oriented industry.

Amsterdam

The stronger dollar combined with demand from the European Options Exchange, where July share options expired yesterday, to lift the Amsterdam market to a firmer close.

Zurich

Investors remained on the sidelines in Zurich awaiting the US trade figures and the market closed little changed in fairly quiet trading.

Milan

Volume picked up near the close in Milan and the market closed slightly up, with the MIB share index rising five points to 1,054.

Madrid

Shares closed lower in Madrid after a dull session on the ahead of Spain's June inflation figure and the US trade deficit.

Hong Kong

Late short-covering by institutional investors ahead of the release of US trade data lifted the market off the day's low.

Singapore

Continued speculative buying interest and bargain hunting fuelled a rise across the board in moderate trading.

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INDICES

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Table showing Dow Jones Industrial Average and other indices for New York.

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CURRENCIES AND MONEY

LONDON STOCK EXCHANGE

Equities steady but Gilts turn easier

FOREIGN EXCHANGES

Trade figures boost dollar

THE DOLLAR switched into overdrive after yesterday's release of US trade figures for May, brushing aside co-ordinated central bank intervention which included dollar sales by the US Federal Reserve.

The May shortfall of \$10.98bn, compared with a revised \$10.3bn deficit in April, was generally a little better than most expectations, and coming on top of Thursday's increase in US prime rates, pushed the dollar to its best level against the D-Mark since August last year.

Dealers stressed that the reaction to yesterday's mildly encouraging trade figures underlined the dollar's strength and although central bank intervention may have discouraged a break to even higher levels, there was little the authorities could do to stop a sudden flurry of short covering as the figures had been announced.

The contraction in the trade deficit meant that the US Fed had more room to manoeuvre in keeping inflation under control. The argument ran that interest could be increased, if necessary, without damaging economic growth. Concern about inflation was highlighted to some extent by yesterday's consumer price index, which showed an annualised increase so far this year of 3.6 per cent compared with 2.2 per cent for the whole of 1987.

The dollar closed at DM1.8760 from DM1.8470 and Y135.25 compared with Y138.15. Elsewhere it rose to SF1.5645 from SF1.5315 and FF8.3250 compared with FF8.2825. On Bank of England figures, the dollar's exchange rate index rose from 98.1 to 99.4. The dollar broke through the Y135 level with little trouble, although traders were a little unsure about how far the year

would be allowed to depreciate. The Bank of Japan retained from intervening yesterday. Sterling tried to hold steady after a slightly weaker start but wilted under pressure in the afternoon to finish at 74.6 on its exchange rate index down from 74.9 at the opening and 75.1 on Thursday. The softer tone was principally a dollar movement, since the pound finished unchanged against the D-Mark and yen at DM2.1200 and Y225.00 respectively. Thursday's encouraging economic data improved sentiment while yesterday's further increase in the rate of inflation suggested that interest rates were more likely to be pushed firmer.

The pound fell to \$1.6636 from \$1.6895, its lowest level since October last year. Elsewhere it finished at SF2.5650 from SF2.5875 and FF10.5200 from FF10.5300.

£ IN NEW YORK

Table with columns: July 15, Latest, Previous. Rows: 1 Month, 3 Months, 6 Months, 12 Months.

STERLING INDEX

Table with columns: July 15, Previous. Rows: 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00, 17.00, 18.00, 19.00, 20.00.

CURRENCY RATES

Table with columns: July 15, Bank, Spot, Forward. Rows: Sterling, US Dollar, Canadian Dollar, etc.

CURRENCY MOVEMENTS

Table with columns: July 15, Bank, Change, % Change. Rows: Sterling, US Dollar, etc.

OTHER CURRENCIES

Table with columns: July 15, £, \$, DM, etc. Rows: Argentina, Brazil, etc.

MONEY MARKETS

Pressure for base rate rise

INTEREST RATES ROSE sharply in London yesterday, discounting a further half point increase in base rates. Another rise in UK inflation to an annual rate of 4.6 per cent added to Thursday's comments by Mr Nigel Lawson, the UK Chancellor, when he expressed his dissatisfaction at the recent increase in the cost of living. A further blow was provided by the announcement of US trade figures for May, which underlined a feeling that the year on year deficit would set in early. This boosted the dollar and the pound slipped lower.

The key three-month interbank rate moved up to 10 1/4-10 1/2 per cent from 10 1/8-10 3/8 per cent. The one year rate was higher at 11 1/2-12 1/8 per cent from 10 3/4-11 1/8 per cent.

UK clearing bank base lending rate

Table with columns: 10 per cent, 12 per cent, 14 per cent.

money touched a high of around 9 1/2 per cent but slipped away to finish at 7 1/2 per cent.

The Bank of England forecast a shortage of around £1,350m with factors affecting the market including, repayment of any late assistance and bills maturing outside official bands, together with a take up of Treasury bills adding £33m. This was more than offset by Exchequer transactions which drained £500m, and a rise in the note circulation of £300m. In addition banks brought forward balances £20m below target. The Bank offered an early round of assistance, to help alleviate the shortage, and bought bills worth £1,250m. These comprised £3m of eligible bank bills in band 1, and in band 2 £25m of Treasury bills, £130m of local authority bills at 9 1/2 per cent, and also bought £120m of eligible bank bills in band 3 at 9 1/4 per cent, and £74m of eligible bank bills at 9 1/4 per cent.

FOUND SPOT-FORWARD AGAINST THE POUND

Table with columns: July 15, Day's, One, One month, Three months, Six months, One year. Rows: US, West Germany, etc.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns: July 15, Day's, One, One month, Three months, Six months, One year. Rows: Italy, France, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: July 15, Short term, 7 days, One month, Three months, Six months, One year. Rows: Sterling, US Dollar, etc.

EXCHANGE CROSS RATES

Table with columns: July 15, £, \$, DM, etc. Rows: £/\$, £/DM, etc.

FT LONDON INTERBANK FIXING

Table with columns: Jul 15, 6m, 12m, 18m, 24m, 30m, 36m, 42m, 48m, 54m, 60m.

MONEY RATES

Table with columns: New York, Treasury Bills and Bonds. Rows: 3 month, 6 month, 9 month, 12 month.

LONDON MONEY RATES

Table with columns: July 15, Overnight, 7 days, One month, Three months, Six months, One year.

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Account Dealing Dates

Table with columns: First Dealings, Last Dealings, Day, Account. Rows: Jul 4, Jul 14, Jul 24, Jul 31, Aug 1, Aug 11, Aug 15, Aug 22.

RENEWED CONCERN over the outlook for domestic interest rates

The market is now focusing on the prospects for the latest UK Public Sector Borrowing Requirement, due on Monday, and followed on Wednesday by June Money Supply statistics. Equities opened sharply down as interest rate concerns were joined by a re-run of the old rumour that the Kuwait Investment Office (KIO) might pull out of UK stocks if it's 23 per cent BP stake comes under Monopolies Commission attack.

LONDON REPORT AND LATEST SHARE INDEX

Table with columns: Opening, 10 a.m., 11 a.m., 12 p.m., 1 p.m., 2 p.m., 3 p.m., 4 p.m. Rows: 1497.0, 1488.3, 1489.0, 1490.0, 1488.9, 1490.8, 1495.3, 1494.9.

FINANCIAL TIMES STOCK INDICES

Table with columns: Govt Sec, Fixed Interest, Ordinary, Gold Mines, etc. Rows: Jul 15, Jul 14, Jul 13, Jul 12, Jul 11, Year Ago.

LONDON TRADED OPTIONS

Table with columns: Option, Calls, Puts. Rows: Allied (240), BTL (240), etc.

Equities steady but Gilts turn easier

Account dealing dates were unchanged. The first week saw equities making ground after base rates moved up to 10 per cent, regarded as a level comfortably in line with sterling. But base rate worries have been revived by the latest UK data which suggests a buoyant economy.

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meagre gain of 33 FT-SE points over the two week trading. Account which closed yesterday. The first week saw equities making ground after base rates moved up to 10 per cent, regarded as a level comfortably in line with sterling. But base rate worries have been revived by the latest UK data which suggests a buoyant economy.

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recruit sales figures for June - up 0.4 per cent - helped boost Stores

Stores after interest rate worries prompted a wave of early selling. Stead & Simpson dropped 5 to 113p ahead of today's final deal. Line on the Claydon bill, which dealers expect to fall.

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NEW HIGHS AND LOWS FOR 1988

Table with columns: High, Low. Rows: FT-SE 100, etc.

Traditional Options

First dealings July 11, Last dealings July 15, Last declarations Oct 13, For Settlement Oct 14. For rate indications see end of London Share Service.

NEW HIGHS AND LOWS FOR 1988

Table with columns: High, Low. Rows: FT-SE 100, etc.

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trusts, Abstract Management, Aetna Unit Trusts, and others, with columns for name, manager, and other details.

LEADERS AND LAGGARDS

Table showing percentage changes since December 31 1987 based on Thursday July 14 1988, categorized by industry sectors like Property, Insurance, and Chemicals.

RISES AND FALLS

Table showing rises and falls in various categories including British Funds, Corporations, and Financials, with columns for rises and falls.

BANK RETURN

Table showing banking department and issue department returns, including liabilities, assets, and government debt.

COATINGS & PAINTS

The Financial Times proposes to publish this survey on: Monday, 6th October, 1988. For a full editorial synopsis and advertisement details, please contact: BRIAN HERON, Regional Manager, on 061 834 9381 (telex 666813) (fax 061 832 9248) or write to him at: Financial Times, Alexandra Buildings, Queen Street, Manchester, M2 5HT.

Table listing unit trusts under the heading 'Available Units Admin Ltd' and others, including details on investment objectives and managers.

Table listing unit trusts under the heading 'City Financial Services and Investments Ltd' and others, including details on investment objectives and managers.

Table listing unit trusts under the heading 'Crest Unit Trust Services Ltd' and others, including details on investment objectives and managers.

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GUIDE TO UNIT TRUST PRICING. The data included under the Authorised section of the FT Unit Trust Information Service is being expanded to improve the service to readers and to conform with new legislation. These reports, the marketing, administrative and other costs which have to be paid by net purchasers. These charges are included in the price when the customer buys units. The price at which units may be bought. CANCELLATION PRICES. The maximum spread between the offer and bid price is determined by a formulae bid down by the government. In practice, unit trusts manage quite a tight market. As a result, the bid price is often set well above the minimum permitted price which is called the cancellation price in the table. However, the bid price might be moved in the cancellation price in circumstances in which there is a large excess of offers of units over buyers. THE. The table shows alongside the fund manager's name the time at which the unit trust's daily dealing price is normally set and another time it is indicated by the notation alongside the individual unit trust name. The symbols are: 9 = 9.00 to 11.00 hours; 4 = 1.00 to 1.40 hours; 1 = 1.00 to 1.40 hours; 2 = 1.00 to 1.40 hours. HISTORICAL PRICING. The letter F denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio realisation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's net asset value. FORWARD PRICING. The letter F denotes that prices are set on a forward basis so that investors can be given a definite price in advance of the purchase or sale being carried out. The price appearing in the newspaper shows the price at which orders were carried out yesterday. Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Handwritten note: July 16 1988

INSURANCES

Table listing various insurance policies and providers, including details on premiums and benefits.

Table listing insurance providers and their specific policy offerings, such as life and health insurance.

Table listing insurance products and their associated costs, including different types of life insurance.

Table listing insurance services and providers, detailing the scope of coverage and terms.

Table listing insurance companies and their respective policy details, including contact information.

Table listing insurance plans and their features, such as investment-linked insurance options.

Table listing insurance providers and their policy offerings, including specialized insurance products.

Table listing insurance services and their details, including information on policy renewal and claims.

Table listing insurance companies and their policy details, including information on policy cancellation.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

July 16 1988

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Class, and other details.

Table of LONDON SHARE SERVICE, listing British Funds, Foreign Bonds & Rails, and Americans.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds, listing various offshore investment vehicles.

Table of Money Market Trust Funds, listing various money market investment options.

LONDON SHARE SERVICE

AMERICANS - Contd

Table with columns: Stock, Price, % Chg, etc. Lists various American companies like American Express, American International Group, etc.

CANADIANS

Table with columns: Stock, Price, % Chg, etc. Lists various Canadian companies like Alcan, Canadian National, etc.

BANKS, HP & LEASING

Table with columns: Stock, Price, % Chg, etc. Lists various banks and leasing companies like Citicorp, Citicredit, etc.

BEERS, WINES & SPIRITS

Table with columns: Stock, Price, % Chg, etc. Lists various beverage companies like Anheuser-Busch, Carlsberg, etc.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, % Chg, etc. Lists various construction and infrastructure companies like Bovis Lend Lease, etc.

BUILDING, TIMBER, ROADS Contd

Table with columns: Stock, Price, % Chg, etc. Continuation of building, timber, and roads companies.

CHEMICALS, PLASTICS

Table with columns: Stock, Price, % Chg, etc. Lists various chemical and plastic companies like ICI, etc.

DRAPERY AND STORES

Table with columns: Stock, Price, % Chg, etc. Lists various retail and drapery companies like Debenhams, etc.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, % Chg, etc. Continuation of building, timber, and roads companies.

ELECTRICALS

Table with columns: Stock, Price, % Chg, etc. Lists various electrical companies like British Electric, etc.

Table with columns: Stock, Price, % Chg, etc. Continuation of electrical companies.

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ENGINEERING - Contd

Table with columns: Stock, Price, % Chg, etc. Continuation of engineering companies.

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INDUSTRIALS (Misc.) - Contd

Table with columns: Stock, Price, % Chg, etc. Continuation of industrial companies.

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INDUSTRIALS (Misc.) - Contd

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Table with columns: Stock, Price, % Chg, etc. Continuation of industrial companies.

FOOD, GROCERIES, ETC

Table with columns: Stock, Price, % Chg, etc. Lists various food and grocery companies like Borden, etc.

Table with columns: Stock, Price, % Chg, etc. Continuation of food and grocery companies.

Table with columns: Stock, Price, % Chg, etc. Continuation of food and grocery companies.

HOTELS AND CATERERS

Table with columns: Stock, Price, % Chg, etc. Lists various hotel and catering companies like Holiday Inns, etc.

INDUSTRIALS (Misc.)

Table with columns: Stock, Price, % Chg, etc. Lists various industrial companies.

INSURANCES

Table with columns: Stock, Price, % Chg, etc. Lists various insurance companies like Axa, etc.

LEISURE

Table with columns: Stock, Price, % Chg, etc. Lists various leisure companies like British Skyways, etc.

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LONDON SHARE SERVICE

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LEISURE - Contd. Table listing various leisure companies and their share prices.

PAPER, PRINTING, ADVERTISING - Contd. Table listing companies in the paper, printing, and advertising sectors.

TEXTILES - Contd. Table listing various textile companies.

TRUSTS, FINANCE, LAND - Contd. Table listing companies in the trusts, finance, and land sectors.

OIL AND GAS - Contd. Table listing companies in the oil and gas industry.

MINES - Contd. Table listing various mining companies.

MOTORS, AIRCRAFT TRADES. Table listing companies in the motor and aircraft trades sectors.

PROPERTY. Table listing various property-related companies.

TOBACCO. Table listing tobacco companies.

TRUSTS, FINANCE, LAND. Table listing companies in the trusts, finance, and land sectors.

OVERSEAS TRADERS. Table listing companies that trade overseas.

PLANTATIONS. Table listing plantation companies.

COMMERCIAL VEHICLES. Table listing companies in the commercial vehicles sector.

PROPERTY. Table listing various property-related companies.

TOBACCO. Table listing tobacco companies.

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NEWSPAPERS, PUBLISHERS. Table listing newspaper and publishing companies.

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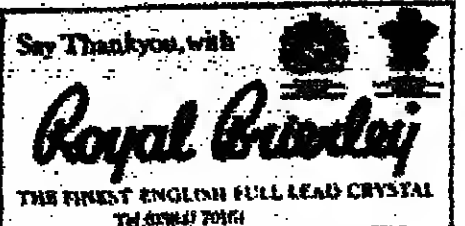
PLANTATIONS. Table listing plantation companies.

REGIONAL & IRISH STOCKS. A collection of regional and Irish stock listings. Includes sections for 'IRISH' and 'TRADITIONAL OPTIONS 3-month call rates'.

CLENCH STRATEGY LIMITED
CORPORATE MARKETING
INVESTOR & PRESS
RELATIONS

FINANCIAL TIMES

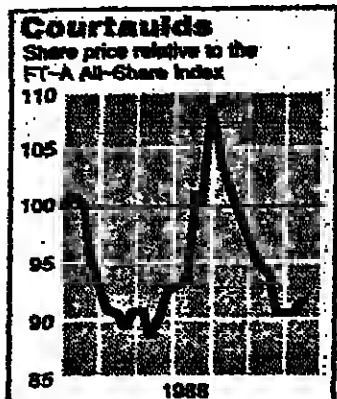
Weekend July 16/July 17 1988



THE LEX COLUMN

Interesting times once more

FT Index rose 0.8 to 1497.5



Although London had traced itself yesterday for the US trade figures, the shock came from quite another quarter. The half point rise in domestic market rates, to 10 1/2 per cent, implies that rumours of a full point rise in base rates are being taken seriously.

Others may take the hint: the six states yet to rule on the \$4.5bn bid will no doubt welcome the groundwork done by their colleagues in Oregon and California could also be affected.

British Aerospace
If recent weeks have proved anything about British Aerospace, it is that its management should never be underestimated.

Whether the full point club will actually be welded is another matter. The Treasury plainly views the inflation outlook with increasing alarm.

Any way you look at it, Courtauld's disposal of its wood pulp companies seems a thoroughly good thing.

Perhaps most remarkable is the £207m sale price. An earnings multiple of 9, calculated on a year of peak profits, is more than could be reasonably expected for such a volatile business.

With no net borrowing and with shareholders' funds of £200m, Courtauld's will be well

Soviet ministers reject tax on private sector

BY QUENTIN PEEL IN MOSCOW

CONTRVERSIAL plans to impose tough income and turnover taxes on the fledgling private sector in the Soviet Union have been thrown out for the second time in two months, this time by the full Council of Ministers.

active enterprises on a par with state industry. Mr Ryzhkov encouraged the observers to speak out, and unleashed a wave of criticism that the taxes would drive businesses back into the black economy and discriminate against exactly the sort of enterprise Mr Mikhail Gorbachev, the Soviet leader, is seeking to encourage.

There was still disagreement between speakers on the level at which progressive income taxes should be levied on personal incomes. The proposed rates of 20 per cent to 30 per cent were described as prohibitive by the same newspaper.

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BAT ability to manage Farmers questioned

By Nick Bunker

INSURANCE regulators in Oregon have grave doubts about the ability of BAT Industries to manage its bid target Farmers Group, the US insurer, without damaging policyholders, according to a ruling released by the state this week.

The full text of the ruling - which denied the British tobacco-based multinational permission to buy Farmers - says BAT's advisers suggested there might be a big culture gap between the two companies.

It centres on arguments that BAT, the world's biggest private sector cigarette company, has no positive commercial contribution to make to developing Farmers but would have to make big and potentially risky changes in order to earn an adequate return on its investment.

Mr Theodore Kulungowski, the Oregon insurance commissioner, says there is "a substantial likelihood" that BAT would have to initiate changes including eliminating hospital liability insurance, extracting cash and expanding sales of life assurance and financial services products "to the detriment of servicing existing policyholders."

He quotes Mr Tony Ratcliff, former head of Eagle Star, BAT's main UK insurance subsidiary, describing Farmers Group's hospital professional liability insurance business as "the joker in the pack."

Mr Ratcliff is quoted as saying: "Continuation of that business by BAT might depend on its ability to 'extort' additional premiums from policyholders."

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He says: "Farmers is not a company in distress. Rather, Farmers is a stable, secure, prudently managed concern. BAT adds nothing to this equation."

He quotes Intermatrix, a management consultant, which worked for BAT in studying Farmers before the \$4.5bn takeover proposal was unveiled last January.

Mr Kulungowski says that in a study called "What Can Felix Bring to the Party," Intermatrix said Farmers had adequate cash to expand already but that BAT could draw more than \$750m out of it on acquisition.

BAT says bid ruling favours management, Page 8

Courtauld's woodpulp interests sold to consortium for £207m

BY MAGGIE URRY IN LONDON AND JIM JONES IN JOHANNESBURG

COURTAULDS, the chemicals, textiles and fibres group, is raising £207m in cash from the sale of its South African and Swazi woodpulp interests to a consortium led by Sappi, the largest pulp and paper group in South Africa.

Sir Christopher Hogg, Courtauld's chairman, stressed yesterday that the sale was being made purely on commercial grounds. Courtauld is keeping its other South African interests in packaging film, knitted fabrics and foundation garments.

The move was seen in the City as an important strategic step for Courtauld. The woodpulp business had been built up in the 1930s when Courtauld aimed for vertical integration in its operations - owning every stage of the supply chain of product.

Woodpulp, produced from fast-growing sub-tropical trees, is used in making viscose fibres, Cellophane packaging film and paper packaging.

Since the nadir of the group's fortunes in 1980-81, when Courtauld made a loss, a restructuring programme has emphasised an end to vertical integration and a departure from commodity-type businesses such as woodpulp. This sale largely completes that plan.

The woodpulp operation consists of a two-thirds share of Salcor in South Africa, which has 10,000 employees, and a half

share of Usutu Paper in Swaziland employing 2,700 people. The division made an operating profit of £53m on sales of £102m in the year to March 1988, respectively 15 per cent and 4 per cent of the group totals. The net assets are valued at £34m.

The acquisition of Courtauld's interests is also of strategic importance to Sappi. The company runs specialised pulp and paper plants in the timber-growing areas of the eastern Transvaal down the Natal coast, with the Usutu plantations and mill virtually at the centre.

Apart from providing a production base unlikely to be affected by trade sanctions, the acquisition of the Swazi timber plantations gives Sappi direct control over almost half the wood it processes. At present the plantations provide only one quarter of its mills' needs.

The acquisition will also allow rationalisation of operations with wood delivered from the nearest plantation of appropriate timber to processing plants.

For the present Sappi is little affected by sanctions and the deal gives it added protection and marketing opportunities. Ownership of the Swazi pulp mill could also give preferential access to the EC market.

Courtauld has signed a long-term supply agreement with Sappi. Nearly half Salcor's output is sold to Courtauld's in

North America. Courtauld's viscose plant in Mobile, Alabama, is technically dependent on a grade of woodpulp available only from the South African operation.

"We will work with Sappi for years to come," Sir Christopher said. "There is no way we could disentangle ourselves from South Africa even if we wanted to."

Sir Christopher said the sale would reduce the group's earnings per share by 1p in a full year. In 1987-88 earnings per share were 40p. He said that the modest dilution was well worth the longer-term benefit of becoming a more focused business.

He argued that the woodpulp business was highly capital-intensive and could have starved other Courtauld's divisions of resources.

The deal will reduce Courtauld's debt by £240m, since the businesses being sold had some debt, which will leave the balance sheet ungarbled. Sir Christopher said: "I have no doubts we can spend the money sensibly over the medium term. It is not burning a hole in my pocket."

Courtauld has been negotiating the deal with Sappi since last November. Analysts regarded the timing of the sale as good since the woodpulp division's profits have risen from £14m in 1985-86. Courtauld's shares rose by 5p to 34 1/2 yesterday.

Ulster's electricity 'privatised' by 1991

By Our Belfast Correspondent

THE GOVERNMENT intends to privatise Northern Ireland's electricity industry in the next two to three years, it announced yesterday. It has also authorised the expansion of oil and coal-fired generating plant in the province.

The announcement, made in a Commons written reply and explained in Belfast by Mr Peter Viggers, Northern Ireland's industry minister, means that Ulster's huge lignite resources, estimated at more than 1bn tonnes, will not be immediately exploited.

Instead, the second phase of the Kilroot power station near Carrickfergus, County Antrim, will be completed at an estimated cost of £160m to use either coal or oil depending on fuel prices. This was the scheme strongly favoured by Northern Ireland Electricity.

Kilroot, the province's most modern power station, was originally conceived as an oil-fired plant but the spiralling oil prices in the mid-1970s meant that only the first phase was completed though the construction was almost complete and the generating equipment bought.

The Government announcement comes as a blow to Antrim Power, a private consortium led by Ulster businessman Sir Desmond Lordiner who had spent more than £2m on a submission to build a lignite-fired plant at Crumlin.

Sir Desmond said: "We are deeply disappointed that - our proposal having emerged as clear winner in the private sector - the Government's decision is for a project totally outside the scope of the original competition."

Antrim Power said finance for both the lignite mine and the 450MW power station was available totally from private sector sources with the participation of British, Irish, Continental, American and Japanese banks. The projection was for an input of private capital into Northern Ireland of about £700m resulting in hundreds of permanent jobs plus some 2,000 jobs during construction.

Details of the privatisation have still to be worked out but it is expected within the life of this parliament, probably at the same time as privatisation of electricity in the rest of the UK.

Mr Viggers said yesterday: "We believe firmly that Northern Ireland, together with the remainder of the UK, should have the benefits of private-sector ownership and control of the electricity system."

Mr Pat McCarran, secretary of the Federation of Unions supplying electricity and which represents 5,000 workers in Northern Ireland, welcomed the Kilroot decision but attacked the privatisation plan.

He said: "It is certainly in the best interest of the consumer to spend around £150m rather than the £600m it would have taken for a lignite plant. The decision also allows time for a proper analysis of the lignite options."

Background, Page 4

Yale and Valor annual meeting postponed in ex-director dispute

BY CLAY HARRIS

A DISPUTE involving a former director yesterday forced Yale and Valor, the UK locks and household appliances group, to postpone its annual meeting, originally scheduled for next Wednesday, until September 1.

Officially, the postponement was a result of a technical slip: some copies of the annual report and accounts, containing the notice of meeting, were posted a day too late to give shareholders the full notice required.

The company was alerted to the error by Mr Norman Davis, a director for 19 years until his resignation in May.

Mr Michael Montague, chairman, said yesterday: "We had little choice but to take this step because it was clear that the legality of the meeting was going to be challenged by a particular shareholder."

Mr Davis denied that he had made such an explicit threat but said: "If the meeting had been improperly called, I might have felt the need to make a statement." He has been at odds since

mid-1987 with Mr Montague, a business associate for 30 years, over their respective roles in the company.

A £200,000 leaving payment to Mr Davis was intended to settle his claim that the board had reneged on a promise to make him vice chairman but he has not let the matter drop.

Mr Davis last month tabled a resolution, which was due to be considered on Wednesday, calling for the appointment of a full-time chief executive and "an experienced non-executive financial director."

The second job description coincides with the role undertaken by Mr Davis for many years at Valor, as the diversified gear beaters group was called before last year's £225m US takeover of Yale Securities, the locks company and NuTone, a manufacturer of built-in household appliances.

It is rare for a UK company finance director to be non-executive. Mr Davis, senior partner in Lane Heywood Davis, the accountancy firm, said he had unintentionally misworded the resolution and planned to amend it to read "a financially experienced non-executive director."

Mr Montague and the rest of the board oppose the motion, which comes as Yale and Valor is the subject of takeover speculation. Williams Holdings, the UK industrial group, disclosed a 3.9 per cent stake earlier this week. It emerged yesterday that Ingersoll-Rand, the US industrial equipment company, had bought a slightly smaller holding.

Mr Davis has presented his case to institutional shareholders, who are thought unlikely to support the resolution. However, some agree that the board structure may need to be strengthened because of the increased size of the group.

Yale and Valor is the second company this year to postpone its meeting because of late posting of documents. Property group Land Securities was the first. Background, Page 8

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CHIEF LONDON PRICE CHANGES YESTERDAY

Table with columns: RISES, FALLS, and various stock prices like Allied Irish Bank, Argyl Group, BOC, etc.

WORLDWIDE WEATHER

Table with columns: City, Country, and weather conditions for various global locations.

Bae shares

Continued from Page 1
injection originally planned by the UK Government. Mr Steven Roman, automotive analyst at Phillips and Drew, the stockbroker, forecast full-year pre-tax profits for Rover of £53m this year and £106m next. "We think BAE has a very satisfactory deal," he said.

Phillips and Drew said the takeover will be finally approved by BAE shareholders next month, could increase BAE earnings per share by 36p to 88.9p in 1988, the first full year of operation by the new group.

Prof Smith said the £150m takeover would increase BAE net assets by around £700m to £1.7bn.

He said BAE had received a written commitment from the Department of Trade and Industry that the European Commission would be flexible in its monitoring of BAE's implementation of Rover Group's five-year corporate plan. It was BAE fears that the Commission could demand repayment of the planned £469m state aid that Brussels has tied to Rover's restructuring plans, that caused BAE to hold up dramatically the agreement on Wednesday.

No delay is expected in the water authority flotation timetable, however. The privatisation bill, now being drafted, will be introduced at the start of the new session in November and should be on the Statute Book by next July. The authorities would become Government-owned public limited companies prior to flotation around November 1989.

Kleinwort

Continued from Page 1
WAA and the Environment Department is that it will inevitably take some time for fresh advisers to become fully conversant with the complexities and politics of the industry.

Many decisions remain to be taken, including whether to sell 51 per cent of the equity initially and whether to sell in tranches. All 10 are likely to bring the Treasury from £5bn to £7bn, with Thames Water, by far the largest, worth a quarter of the total.

The buoyant state of the industry's balance sheets will be disclosed next Wednesday when Mr Nicholas Ridley, Environment Secretary, will chair a London press conference announcing the results of all 10 authorities for the last year. Total profits are more than £700m, an increase of 25 per cent on the previous year.

BERKELEY GOVETT & COMPANY LIMITED
1988 INTERIM RESULTS
Revenues US \$23.5m +37%
Pre Tax Profit US \$17.8m +29%
Earnings per Share 18.0 cents +27%
Interim Dividend per Share 5.0 cents +25%
Dollar
A strong first half, diversified earnings sources, new fund initiatives, and key staff additions suggest that 1988 will be a very satisfactory year for Berkeley Govett and its shareholders.
Chairman Arthur I. Trueger
To obtain a copy of the 1988 Interim Report contact Dr. Jay B. Morrison, Chief Financial Officer on 0534 38576.

WEEKEND FT

Weekend July 16/July 17 1988

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

THE NASSAU policeman, sweating profusely in his immaculate white starched tunic, had strong views about the state of the nation, expressed in a form of streetwise philosophy that seems to come easy to the Bahamians.

"The trouble with the Bahamas' reputation for Paradise is that everyone wants to shake the tree and one day the apple is going to fall off."

The Bahamas has earned itself idyllic names such as "The Blue Isles" and the "Fortunate Islands" and annually 5m visitors a year, half the entire Caribbean tourist trade. But as Bahamians celebrate their fifteenth anniversary of independence this week, this reputation is being shaken.

It is still a rich person's playground, feeding off North America's leisure money, which can afford to maintain little-used million-dollar mansions with beachfront views hidden behind lush gardens. The islands have also been quick to catch the burgeoning cruise market. Four or five liners are berthed at any one time in Nassau harbour, reducing to minuscule scale the coral rock and clapboard colonial buildings of the historic centre. Day trippers in uniform shorts and T-shirts have taken over once-staid Bay Street, treating it like some Caribbean Disneyland; but the charm remains.

It is still also possible to find paradise in the Bahamas, if that is shorthand for basking on virgin white sand and swimming in crystalline emerald sea among exotic tropical fish. There is plenty of empty space on the 700-odd cays and islands, many of which are deserted or virtually uninhabited.

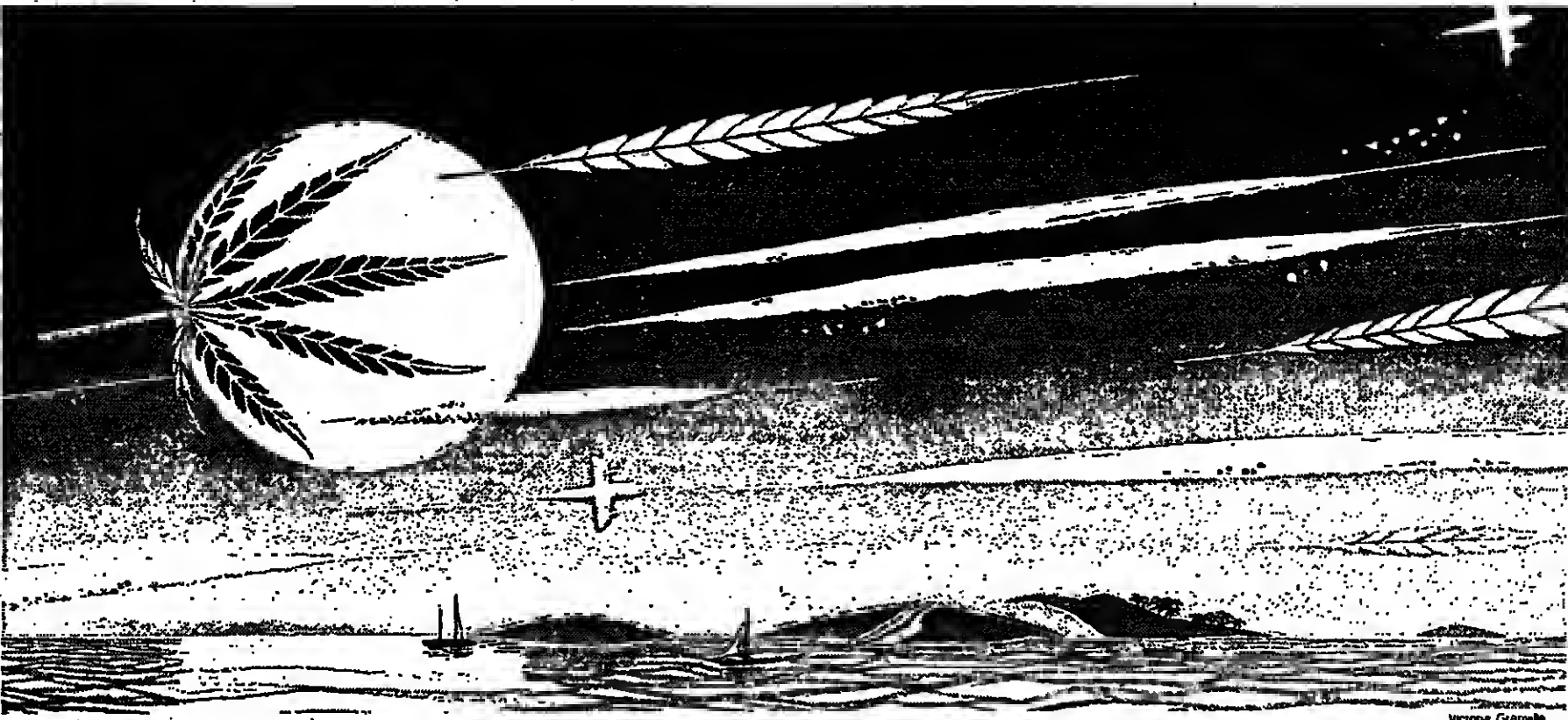
But over the past ten years the isolated cays have attracted a new type of visitor: drug traffickers. Drug trafficking has cast a blight on the nation and is reducing the idyllic society reared on fundamentalist Christianity has been corrupted by drug money. The presence of drugs has caused a serious addiction problem - a minimum of 5,000 addicts in a population of 250,000 - and has spawned a growing wave of drug-related violent crime.

Offences against property have almost doubled in five years and the jails are so full that the authorities are considering the repatriation of foreign prisoners. The smiling Bahamian on the travel brochure has for many an unfortunate tourist metamorphosed into the mugger.

The drug issue has so poisoned an otherwise model relationship with its powerful neighbour, the US, that the Bahamas Government recently felt obliged to publish an open letter to the people of America. Somewhat hostile to the letter described the Bahamas as "the most successful small nation on this earth" and went on to say: "Our people are healthy; we have no ethnic or racial divisions; we have complete freedom of worship; we have an open and vigorous parliamentary democracy; we have absolute press freedom; we have no political prisoners; we have no debt problems; we are at peace with every nation; there is no class warfare; we have a sound and sophisticated private enterprise economy; our nation is beautiful; our people are proud."

Discounting the hyperbole, much of this is true and reflects genuine achievements since independence. One of these is a multiracial society, for which much credit must go to the Prime Minister, Sir Lynden Pindling, the son of a Jamaican policeman, who qualified at the Bar in London and

The Bahamas' idyllic tourist image is coming under increasing threat from a growing undercurrent of drugs-related violence and corruption as gangs of smugglers use the islands as a trading-post to the US street market, reports Robert Graham



A bad trip in Paradise

who led the country to independence. "Society is not as equal as I would like, but we have come a long way," says Sir Lynden, who prides himself as the longest-serving elected leader in the Western Hemisphere.

However, such achievements are obscured by the unfortunate consequence of a geography which Columbus first found in 1492. The Latin American drug barons have taken advantage of the Bahamas' strategic location close to Florida as a staging post to smuggle cocaine and marijuana into the US. As much as two-thirds of all cocaine entering the US transits the Bahamas. According to Paul Adderley, the Bahamas Attorney General, this year up to 120 tons of cocaine could pass through the islands, with under 10 per cent interdicted.

Even with US assistance and sophisticated technology, policing is hopelessly stretched to cover the Bahamas chain that runs out off the Florida coast more than 750 miles into the Atlantic. This far-flung chain of islands served as an ideal refuge for pirates, for gun-running during the American Civil War and then, under US Prohibition, was tailor-made for bootlegging. Some of the islands' nomenclature is suggestive of this past - Gun Cay, Fortune Island, Bum Cay, Gold Cay, Hole in the Wall.

as transshipment points from aircraft to high-speed motor boats. The operation is swift and simple. All the drug-traffickers need are a few willing hands to work for as little as 15 minutes, and for someone in authority to look the other way. Even that is not always necessary because the shipments are frequently gone before anyone knows. When as much as \$100,000 is handed out to Bahamians for such a quick operation, it is not surprising that there are takers, dubbed "facilitators" by the police.

Reading from a newspaper report in the Daily Express of 1982 of run-running from the Bahamas, there are remarkable parallels in the cat and mouse game played by police and smugglers. "Government statistics first published in Washington show that the US has 3,500 officials with 390 vessels and five seaplanes to resist the run-runners. Enforcing Prohibition costs \$2.6m a year. In six years since Prohibition, 49 officials have been killed and five wounded in fights with run-runners. In the same time 839 boats have been seized, but the traffic still goes on."

There is, however, an essential difference today. The pay-off is an essentially greater, the network more extensive, and the power of the drug barons correspondingly more substantial. When cocaine is being retailed at street prices in the US of \$80 to \$120 (GAT to \$70) a gramme, paying the

"facilitators" is the equivalent of a tip from the pockets of the ruthless gangs behind this business.

The impact of this kind of money has been widespread, especially among a new class of black Bahamians, who at first treated such windfall wealth with a certain innocence. The Government's attention was elsewhere. Sir Lynden was grappling with Bahamas' new-found role as a sovereign nation with a black majority government. "No one had the remotest idea of what was really going on," says Adderley, referring to the late 1970s, when the Colombians first started buying properties conveniently located on cays close to the Florida coast. "Besides, as a community we have been long used to seeing rich foreigners build hideaway homes and no-one asked too many questions."

When the US began to complain about the extent of the drugs trade and its corrupting effect in the higher echelons of government, the first reactions were nationalistic: here was a large neighbour trying to dictate how to behave in a manner that smacked of colonialism. Bahamians are acutely conscious of being treated as an appendage of the US, and are constantly torn between close ties with the American mainland and the sentimental link of Queen and Commonwealth. The US nearly acquired the islands after the First World War to help settle Britain's war

debts. The Prince of Wales stepped in and said: "His Majesty's subjects are not for sale."

Against such a background, relations with the US have been tense, at times acrimonious. US pressure on Sir Lynden has tended to be counter-productive and the problems arising from the drug business consequently festered.

Matters came to a head in 1984 when Sir Lynden felt obliged to call in a Royal Commission of Inquiry to examine corruption caused by the drugs trade. The Commission's report revealed just how deeply corruption had penetrated among policemen and politicians, including the assistant commissioner of police and two members of the Cabinet.

Questions were also raised about the finances of Sir Lynden and his wife Lady Marguerite. The report commented: "The Prime Minister and Lady Pindling have had expenditure of at least eight times as much as the Prime Minister's salary during the period under review. That is to say that, during the period from January 1 1977 to December 31 1983, the Prime Minister has earned approximately \$500,000 and has spent in excess of \$4m." Much of this expenditure related to the construction of a large mansion on a fashionable ridge outside Nassau.

is a formidable politician: dominating his opponents through a clever mix of earthy populism and political manoeuvring, the opposition has been brow-beaten into something approaching silence. Calls for his resignation have been brushed aside and he successfully warded off a challenge during the 1987 elections, which were fought on the issue of the Royal Commission report. "Bullshit has baffled brains" is the useful observation of Pierre Dupuch, an opposition member of parliament.

Sir Lynden plays heavily on his appeal as the "Black Moses" who led his nation to independence. Few would gainsay him this; but he inherited a prosperous economy based around tourism and offshore financial services. The Bahamas was the sole British colony in the West Indies not to receive a grant on independence. He has continued to benefit from the fact that the Bahamas' economy is so tied to the US, a situation which has insulated the economy from the shocks of debt and commodity prices that have proved so damaging to neighbouring small island states. As a result of this prosperity, the Bahamian black middle class continues to expand, and he can pose as their champion.

The white minority, on the other hand, often speaks of Sir Lynden with words of bile. They accuse him of besmirching the reputation of the Bahamas, of failing to ditch corrupt associates and of emperilling a parliamentary system that dates to 1729. The opposition feels that Sir Lynden has shamelessly exploited the Westminster model adopted by the Bahamas on independence.

"He did not resign because of the Royal Commission report since there was no constitutional rule to tell him to do so. We operate a system based on honour, and if he continues to ignore it it is questionable whether our model of democracy will survive," says a leading opposition politician.

The Prime Minister's supporters freely concede that corruption has been allowed to flourish. However, they add that the country is going through a learning process and that steps are being taken to tackle the drugs problem in all its aspects. The Government cannot remain disinterested. The bad image impinges on tourism and affects the reputation for probity of offshore banking. Sir Lynden has also seen his name recently dragged before the Florida courts in connection with the trial of Carlos Ledder, the Colombian drug baron.

Some results are already evident. Tighter control over deposit-taking in banks has curbed money laundering. Increased cooperation with the US over drug-interdiction has reduced the flow of drugs money. Bimini Island, once among the most heavily mined for drugs transshipment, has seen its economy slump in the past six months.

But the problem's origins and persistence are beyond the Bahamas' control. "The bottom line of the drug problem is demand," says Sir Lynden categorically, and in this he is supported by fellow leaders in the region.

Bahamians at all levels also feel that the Americans should first cast the mote out of their own eye where corruption is concerned. Replying to recent criticism in the US, Adderley sent a note to Washington making the valid point: "If corruption is needed to move cocaine and marijuana from Colombia and marijuana from Jamaica through the Bahamas by air and sea to the US, why is it not needed to successfully deliver these shipments into Florida?" In other words, more sinners against than sinning.

The Long View

Public companies, private ambitions

WHAT A brilliant idea the stock market was. It brought together the public, with surplus wealth available for investment, and companies, which needed capital for expansion. The facilities for secondary trading to provide liquidity, whether in coffee houses or, eventually, through electronic systems, created the best capital market in human history.

Or did it? Evidence that the modern stock exchange is inefficient as a primary market and valuation mechanism has been accumulating in the US in recent years with the growth of phenomena such as corporate raiding and, in particular, leveraged buy-outs.

Now, the buy-out is becoming much more common in the UK, too, as the past few days have shown. Some £20m has been raised to back the management buy-out of the packaging and paper interests of Reed International, not quite as big a deal as last year's £72m MFI buy-out. Meanwhile, it appears that Richard Branson is disillusioned by his experiences as a public company chairman and wants to take his Virgin group private in a deal that would value it at more like £250m than the £150m which the stock market has judged it to be worth. Moreover, James Gulliver is leading the proposed £47m takeover of Harris Queensway by a new, so far unlisted company, Lowndes.

The appeal of a stock market listing is waning for some. But institutions could be playing a dangerous game in supporting two parallel equity markets, says Barry Riley



through the public stock exchange. This raises some fundamental questions. Why are pension funds and insurance companies willing to pay much higher prices for companies through participation in buy-out funds than they are through the stock market? And if companies need new management, as Harris Queensway evidently does, why cannot new

blood be hired for the direct benefit of existing shareholders? In the US, many of the companies bought out have not needed new management - they have simply needed redirection. It has become evident that there is a vast amount of fat in most American public corporations. It is not just a question of company jets, lavish head offices and layers of middle management all writing

inconsequential reports on each other's activities, although those phenomena certainly exist. It is also a question of motivation.

Companies diversify to suit management ambitions, with scant regard for the interests of shareholders. Managers pile up, cash because it reduces risks for them and makes them feel more comfortable, and they hide highly-profitable subsidiaries among a labyrinth of mediocre operations because the cross-subsidisation allows them to maintain a bigger empire. Above all, they rarely take really hard decisions.

You can sum-up this by saying that corporate governance has got into a mess. I cannot imagine that the situation is a great deal better in the UK and, indeed, groups such as Hanson Trust and BTR have grown spectacularly by proving that they can improve greatly the rate of return on public company assets by applying some crude but tough central controls.

None of this is really surprising when you consider how remote the modest shareholder is from the large public company of which he is, ordinarily, the joint proprietor. The institutional shareholder, who dominates, will own stakes in probably several hundred companies. He rarely has any particular loyalty, so that British pension funds now keep a holding for no more than two years on average. Cross-border shareholders are even more volatile in their approach. Increasingly, too, the investment decisions are taken purely on the basis of computer programmes rather than any consideration of what the companies actually do. This leaves a power vacuum at the heart of the modern public company which, typically, has been filled by the management. But there is another possibility: that shareholders of a new type will arise to exercise the propri-

etorship function more diligently. Indeed, they exist, and the Americans have dubbed them "power investors."

Buy-out funds now run into tens of billions of dollars in the US and are growing rapidly in the UK. American institutions are willing to pay a substantial premium for their funds to be managed as part of these pools - the typical annual fee for normal active portfolio management is 0.5 per cent, but the buyout managers charge more like 1.5 per cent.

In this private capital market the buy-out managers, who typically are set up as small boutiques, are as hands-on as normal public company shareholders are hands-off. For a start, they have relatively small numbers of individual investments to look after. They impose immense pressures deliberately on the company managements by loading them with debt and giving them ambitious short-term targets. They also offer them large incentives through equity options and bonuses.

The profits can be enormous. The example is often quoted of the Beatrice buy-out, where about \$700m of equity stake money is likely to generate eventual profits of more than \$3m. But there are question marks, too. Companies are being turned upside-down and torn apart with very short-term objectives in mind. There are also risks that managers will see the potential for a buy-out and hold back the profitability of the company deliberately with a view to softening-up shareholders ahead of a buy-out proposal.

It might be effective - but it is a clumsy and dangerous solution to the problems of the public stock market to invent another private market feeding greedily off it. How much better it would be if the original concept could be made to work properly.

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MARKETS

Ireland leads the way in bourse sweepstake

HEARD the one about the international investor who put thousands of pounds into the Irish stock market at the start of this year? He had the last laugh, managing to pick not only the best performing bourse in Europe, but one of the strongest movers in the world, soaring by 47 per cent in the first six months.

That sharp, steady rise of the Dublin exchange beats that of the leading stock markets in Asia and the Pacific - coming in well ahead of Tokyo's 25.5 per cent gain and Mexico's 21.7 per cent, according to the FT-Actuaries World Indices figures, based on local currencies.

World Markets

In Europe, where bourses have moved in fits and starts since the beginning of 1988, Dublin stands out as the second best performer, Belgium, where share prices rose by 33.2 per cent, and Spain, third with a rise of 28.7 per cent.

For those who stuck it out in Italy, Switzerland and West Germany - the three worst performers over the half-year - there was little joy, although the period did throw up some trading opportunities, particularly in Frankfurt in the second quarter.

Table with columns: Country, local curr, \$, £. Rows include USA, Canada, Austria, Belgium, Denmark, Finland, France, W Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Mexico, S Africa, Total.

'Investment is about greed and fear, and normally greed prevails... Now there's still fear, but greed's back in play'

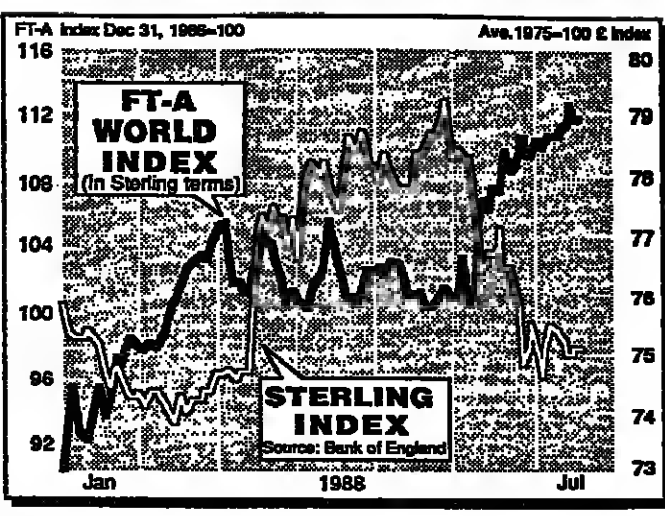
Asia/Pacific was first with a 25.5 per cent increase. Europe ex-UK actually overtook Asia/Pacific in the second quarter to become the best performing region, with an 8.6 per cent gain against Asia/Pacific's 1.1 per cent.

Table with columns: Country, % change Dec 31st 1987, % change since July 1987. Rows include Australia, Austria, Belgium, Canada, Denmark, France, W Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, S Africa, Spain, Sweden, Switzerland, UK, USA, Europe Ex-UK.

The Financial Times, Guinness Stock and Co. Wood Mackenzie and Co Ltd 1987

says in its June international asset allocation report. "We do aim to be strategically overweight in Europe on a long-term view for value, dollar bounce and takeover reasons."

Phillips & Drew's investment strategy has thus changed from being very "risk averse" at the beginning of 1988 to being somewhat bullish of Europe as investors become more adventurous.



David Roche, Morgan Stanley's European strategist, admits to being cynical still. "Our post-crash philosophy is to make money out of the big markets. I just don't believe we've heard the worst of the bad news and don't want to get locked into the smaller markets."

seen as the markets with the most potential, given the improved climate for the dollar. Paris is expected to mark time over the summer, although most believe that it still holds potential in the near to longer-term.

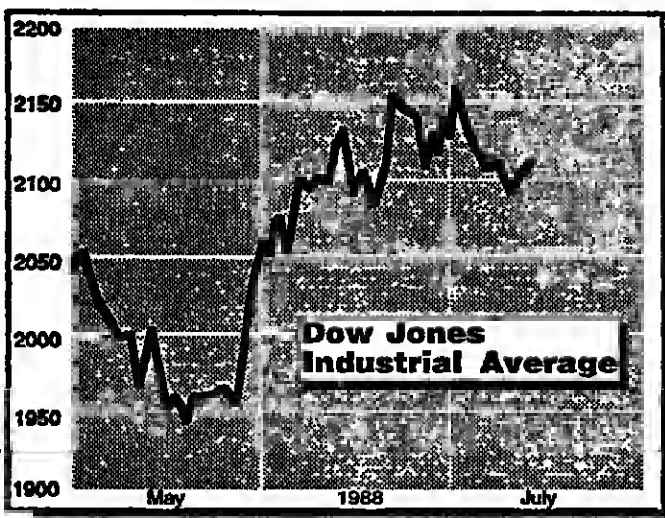
Exit the bears, stage left

WITH EVERY week that passes, there seem to be fewer crumbs of statistical sustenance remaining to keep alive the ragged band of stubborn bears.

The sentiment in favour of the dollar seemed overwhelming. The trade deficit of \$10.93bn was almost exactly in line with market expectations, and was a good deal bigger than the \$9.89bn originally reported for the month before.

more important positive implication from the currency market's enthusiastic reaction. If monthly trade deficits in the \$11bn range are consistently regarded as good news, the implication is that foreign private investors are readily willing to finance a US trade deficit of around \$130m annually.

when the dollar began its current spectacular rise - a rise which has lifted the US currency by 11 per cent against the DM, 8 per cent against the yen and 12 per cent against sterling.



Federal Reserve Board, when he delivered his semi-annual review of monetary conditions to the Congress. Everybody knew already that Greenspan was determined to slow the pace of growth in the US economy.

range from 5.25 per cent to 5.75 per cent for the rest of this year and rise to a range of 5.5 to 6 per cent in 1989?

That in itself might not be such bad news. If present profit levels were simply to be sustained over a long period of slow but steady economic growth, the stock market's current valuation levels would not be unattractive.

Advertisement for IC Stockmarket Letter. Includes headline 'Expert advice on the Stockmarket - free for 4 weeks', '2 FREE GUIDES', '4 ISSUES FREE', and a subscription form with fields for name, address, and payment method.

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FINANCE & THE FAMILY

Barry Riley on the technical analysts who attempt to find a message amid a mass of information
Chartists plot a course through troubled waters

THESE ARE DIFFICULT times for the City's chartists or, as they prefer to be known, "technical analysts." They pore over share price and index charts in an attempt to unravel the hidden messages supposedly implanted therein by mysterious processes involving mass psychology.

The London stock market has behaved in a sluggish and erratic fashion in the past few months, making attempts to push higher but failing to achieve any consistent momentum. Markets spend roughly half their time trending and half their time ranging, says Robin Griffiths of broker James Capel. Recently, the equity market has been ranging and the chartists have had little into which they can get their teeth.

Important turn was in the offing, although he was not specific about the direction. Recent market strength has helped him, however, and he forecasts that other chartists will turn bullish next month when the 300-day moving average will start to turn up.



Unfortunately, his October 15 letter concluded that the overbought condition had disappeared, and he looked for a test of the July peak. As luck would have it, clients did not receive the letter until after the crash.

October 19 but also claims that "anybody who listened to me was out of the market by August." Sure enough, his market note of July 28 1987 said clearly that "upside penetration of very nearly all possible resistance levels illustrates unequivocally just how overbought this market has become."

exchange markets, where currencies often move in line with pronounced trends for several years at a time. But stock markets do not usually behave like that. Last year, investors had to rely on fundamental indicators of value - such as yields, p/e ratios and income differentials - against bonds - to learn that equities might be overpriced seriously.

SOME PEOPLE who invested in Barlow Clowes could find it costing them more than they feared - and not just because of expensive legal bills.

Richard Waters on a Barlow Clowes tax shock
Losers to lose again

liquidators and the police. There is also an internal enquiry at the DTI. Until these are concluded, there might be little the lawyers can do.

Perhaps the best case for retaining a lawyer is if a claim against an intermediary looks possible. But such actions are expensive and lawyers are busy grouping investors who used the same intermediaries, which will reduce the cost.

There is also the question of what assets or insurance intermediaries have to meet a successful claim. Needless to say, few will announce publicly what they could afford to pay out.

THE UK unit trust industry has, for the most part, concentrated its marketing efforts on the capital growth prospects of equity investment. Income has tended to be treated as a peripheral benefit, by several management groups.

The designers of Selector appear to assume tacitly that investors will also accept this feature with unit trusts, which could be a major weakness of the scheme. Investors could well feel that the income payments, made automatically, are coming out of investment income, not their capital.

Under this year's Finance Bill this power is extended, in "exceptional circumstances," to cases where it does not know the names of the individuals or even how many there are. But it is not yet clear just what constitute exceptional circumstances.

Many people will prefer to wait before contacting lawyers: further information is likely to emerge from the various investigations being carried out by the

Finally, there is the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra), which also is collating investors' complaints against intermediaries.

Share dividends have grown in line with, or even out-paced, inflation. But the starting level of that income is very much lower than that obtainable from building societies. And the growth in that income has been slower than the steady building society level for several years.

Up to now, income and capital growth have been separated in unit trusts. If investors want income, they are offered a high income trust. But if they wanted income at a certain level above that provided by the investment income, then they were expected to invest sufficient capital to produce that income.

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Each year on April 1, he will assess the death claims experience and declare a reduction in this extra premium based on that experience in that the danger of the initial reduction, applicable now, is 90 per cent, reflecting the current low number of AIDS deaths.

The full list of creditors will be produced later in the year when an official document known as a statement of affairs is drawn up for BCL. This will be a public document and will include information on how much each investor is owed by the UK.

Barlow Clowes Investors' Group, Peter Whitworth, secretary, PO Box 20, Cheside House, Cheshire SK3 6PT.

Alexander Tatham, 30 St Ann Street, Manchester M2 3DR, Tel. 061-236 4444.

Midland became the second building society to raise its interest rate for home loans this week.

Midland cannot be that uncertain because it has put aside £300m to offer a three-year fixed-rate mortgage with a marginally lower cost of 11.2 per cent. The catch is that interest rate is subject to a payment or pension-linked mortgage with policies taken out via the Midland Life company.

Equitable Life that passed on the profits in the form of bonus additions to the benefits - the familiar with-profits system.

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Tills ring the changes

Will EFTPOS help ordinary consumers, though? Of course it will, say the banks and retailers who are negotiating it over customers' heads. They point to several benefits.

First, there should be less waiting involved in paying for a purchase. Second, it will not be necessary to carry cash around (and could even be a new way of getting cash from your account by drawing out more money than the value of the article you are buying).

It is illegal to send an uncashed credit card to a customer. Extending the ban to include debit cards sounds logical.



Midland ups rate

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Problems of assessing the AIDS risk

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Follow the ACE SHARE TIPSTERS

If your shares have let you down this year, then the July issue of Money Observer will be a tonic. It reveals how 24 leading City share tipsters have swept the board this year, with gains stretching up to 41 per cent.

There are also revealing features on top companies and leading business personalities, a review of recent stock market movements and a timely appraisal of personal pensions.

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index to 1920," says Marber. "It should get up there." Griffiths says that, in bear markets, equity prices retrace between a quarter and a half of their initial fall. So far, London has recovered by a third and Wall Street by a half. The rallies are, therefore, running out of steam. He feels the crucial point will be whether the market breaks last November's low of 1,500 on Footsie. "If it does, there will be a substantial further fall to 50 per cent below the all-time high," he suggests. This would be a 1,250 on the index. "But I believe in a more favourable scenario: that the market will bottom-out higher than the post-crash low."

So much for the varying shades of gloom. The charts, it seems, do not communicate the same message to all who read them. Jones does not appear to fall for the rally-in-bear-market story. "I am still bullish," he says, firmly.

As for Fuller, his most recent letter argued that the bearish arguments were being promoted by people who had too much cash and were hoping for a chance to buy lower. "That is extremely bullish," he claimed.

The chartists, it seems, cater for all tastes.

Table with 2 columns: Premiums and Amount. Rows include Previous monthly premium, Add extra premium, Total, Less rebate, and New monthly premium.

Handwritten signature or initials at the bottom of the page.

FINANCE & THE FAMILY

John Edwards reports on the FT Readers' Race Maureen profits from best advice

PICKING top-performing shares is much easier if you have help from an expert. That is the lesson behind the success of Maureen Hyde in winning the second leg of the FT Readers' Race, run in conjunction with the Great Investment Race.

As public relations manager of the Housebuilders Federation, she seems at first sight an unlikely winner. But her secret is that she is married to Tim Hyde, director in charge of European investment at the Robert Fleming merchant bank group, who gave her a lot of advice in picking five stocks from the FT-SE 100 index. He was not particularly keen to have a go himself but she "insisted" - so the entry was put in her name.

The object of the race is to test the skill of readers in selecting a portfolio of five shares from the FT-SE 100 index - as published in December last year - that will increase most in value from January 1 to December 31. However, as an extra incentive to let readers know how the race is progressing, interim prizes are being given for the best portfolios at the end of each quarter: March 31, June 30 and September 30. It helps to be ahead at this stage but you never know what will happen later.

During the first half of the year, the share that gained by far



Maureen Hyde... a little help from a friend

the first six months of the year, being outperformed only by Rowntree and Amstrad.

Drawing on his knowledge of the European investment market, and looking at the activities of the confederacy groups there, Hyde was convinced long before many others that Rowntree was a "sitting duck" for a take-over bid. As the world now knows, he turned out to be absolutely right. By June, the value of the £11,000 stake at the beginning of the year had risen to £29,558.

The four other selections in the Hyde portfolio are Britoil, Dee Corporation, Rank Organisation and Rothmans. Britoil was everybody's favourite since it was already in the throes of a takeover bid from British Petroleum. The shares duly recorded the third-biggest rise in value during the first six months of the year, backed up by some good brand names.

Several other readers chose Rowntree and Britoil, but it was the relatively high rankings of the other selections that made the Hyde portfolio a clear winner at the halfway mark, with the value having increased from the nominal £55,000 at the start of the race to £90,484 by June 30.

The second-best portfolio was valued at £89,859 so there was no need for the tie-breaker guessing the level of the FT-SE 100 index. This was just as well for the Hydes, since their estimate of 10,000 was well wide of the mark.

Only three of the top 10 shares at the end of March feature in the top 10 at the end of June. They are Amstrad, which has moved from fifth to second; Britoil, down from first to third; and Hemmerson Property, down from sixth to seventh. So, the race is far from over.

(Top Ten Performers)

Share	Gain during First half '88
Rowntree	+168.7
Amstrad	+80.0
Britoil	+78.4
Cadbury Schweppes	+68.7
Racal Electronics	+58.0
British Gas	46.4
Hemmerson Property	45.9
BAA	45.8
Rank Organisation	41.8
Blue Circle	40.7

Running to stand still

William Cochrane on a split-level fund that has yet to impress

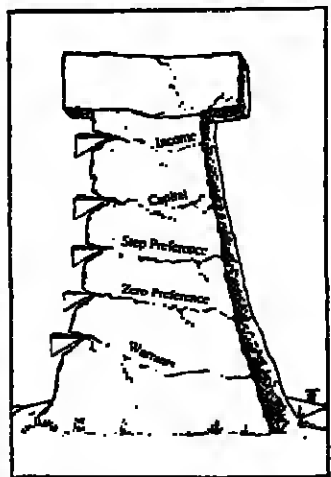
"A QUART trying to get into a pint pot. Unlike other split-level funds of its generation, it has failed to stand up to the rigours of the present-day market."

That is the view taken of TR Technology II by Hamish Buchan and Robbie Robertson of the County NatWest WoodMac investment trust team. The £18m investment trust was created last May when management of its £803m predecessor's portfolio was divided between Touche Ross and the incumbent, and Berkeley Govett.

They are measuring TR Tech II on its initial impact on the market, which has not been impressed. On its inception, the fund was divided into three classes of capital with the following rights and proportions:

- Seven zero dividend preference shares, providing a pre-determined growth of capital over the trust's 10-year life (indicating an 11.75 per cent gross redemption yield at an assumed price of 100p a share) but no entitlement to income.
- Four stepped preference shares offering pre-determined income and capital growth, and quoted at another 100p a share to begin with.
- Four new ordinary shares, enjoying any surplus income and capital growth earned by the fund after the other requirements had been met, and calculated to have an initial asset value of 100p each.

The package, it was thought, might open at an 8 per cent discount to asset value. In fact, the initial discount was 10.8 per cent and by this week, two months later, it had stretched to 17.7 per cent. In the meantime, the UK equity market has improved a bit



T for Trust - carved from good material, but are the financial "engineers" cracking it up?

le and the TR Global Technology Fund, which also took funds from the reorganisation, has risen by some 3 per cent.

Early last May, County NatWest WoodMac introduced a split-level section into its quarterly investment trust review. The object was to comment on funds which divide their performance aims, via different classes of share, between capital and income - with a number of variations in between.

According to Buchan, the variations are said to represent the five ages of man and, arguably, a sixth:

- Warrants for the child, offering a way to lose an insignificant amount of money - or make a real bundle if the market and the management company perform.
- Capital shares for young unmarrieds, geared highly for the people who can afford to lose a bit more and who dearly would like a nice lump sum to put down on that first house.
- Zero preference shares for people in their late 40s and early 50s who can use their capital gains tax allowance to sell part of their shares and maximise their net returns.
- Stepped preference for the newly retired, worried about inflation, who want a reasonable yield plus growth.
- Income shares for the cranky oldsters who want the highest possible yield and put their heirs at the back of the queue.
- The sixth class, says Buchan, was the dividend share talked about for Drayton Japan (and subsequently thrown out). This would have had a 15 per cent yield and a capital value of 100p shrinking to 5p at the end of the fund's life, establishing a capital gains tax loss in the process.

To be fair to TR Tech II, he points out that this is not a standard split capital fund since the ordinary combined capital and income share characteristics. But it is engineered financially in a way similar to other funds which have gone the split route, and it calls out for analysis by similar methods.

Split funds of the new generation need to generate a certain amount of growth to maintain the present net asset value of the capital shares; they need to run at varying speeds, you might say, so that these shares can stand still.

TR Tech II has enormous gearing. Its portfolio has to rise by 81 per cent compound a year so that the ordinary shares maintain their capital value. A rise of 6.75 per cent, says the firm, would wipe out the value of the ordinary, and a rise of 4.01 per cent would wipe out both ordinary and stepped preference shares.

Buchan admits, again, that if the ordinary survive, the accumulating dividend on them will enable them to perform much better on a total return basis, one which combines dividend and capital performance. Dividend growth rate on the portfolio of 10 per cent is not out of the question.

However, the downside risk is what is apparent in the share prices at the moment. These emphasise the fact that variation on clever variation in the investment trust business could leave the ordinary investor with a jaded appetite; and that fixed interest, as well as ordinary shares, can be risky pieces of paper.

Higher return

A NEW issue (the 34th) of National Savings certificates will go on sale from next Friday offering a guaranteed tax-free return of 7.5 per cent if they are retained for five years. This is equivalent to a return of 10 per cent if you pay tax at the standard rate of 25 per cent and 12.5 per cent if you pay 40 per cent tax.

The 33rd issue, which remains on sale until July 21, paid a guaranteed rate of 7 per cent, equivalent to 9.38 per cent for a 25 per cent taxpayer and 11.6 per cent for 40 per cent payer.

The interest rate on the yearly plan, which enables you effectively to buy savings certificates by monthly fixed payments instead of a lump sum, also goes up from 7 to 7.5 per cent but with effect from July 12.

Apart from having to keep your money deposited for five years to receive the full guaranteed rate, there is another restriction. You can buy only £1,000 worth of savings certificates and the maximum monthly contribution to the yearly plan is limited to £200.

However, you can buy an extra £5,000 worth of savings certificates if you already hold an issue bought five or more years ago that has matured. At present, holders of matured certificates receive what is called a general extension rate of interest which was lowered earlier this year to 5.1 per cent.

National Savings, which no longer has to meet an annual target of raising funds for the government, is now concentrating on trying to retain long-term investors.

It is, therefore, offering existing holders of savings certificates, who evidently do not mind locking away their money for five years, the chance to transfer their holdings into the new certificates paying much higher interest than the general extension rate.

So far, National Savings has not changed the interest rates paid on its other products, notably income bonds and the investment account. But it usually follows the trend set by the banks and building societies, some of which have already moved up their rates following the recent surge in the bank base rate to its present level of 10 per cent.

Where the cash goes

THE Highland Wheelchair Dancing Club, the Chicken Shed Theatre Workshop, and Popcorn in the Park are just three of the charitable organisations to benefit from the generosity of entrants to the FT Readers' Race, run in conjunction with the Great Investment Race.

Nearly 2,500 entries were received paying £10 apiece so Charity Projects, promoter of the race, had nearly £25,000 to spend on selected charities.

Charity Projects, which specialises in helping mainly small charities unable to afford their own fund-raising activities, selected organisations assisting the disabled, the homeless, and those suffering from alcohol or drug abuse.

It is in the disabled section that some of the more colourful fly-by-night charities are featured. There really is a Highland Wheelchair Dancing Club which meets regularly in Inverness, enabling

its members to dance either purely socially or as competitors in Scottish wheelchair dancing festivals and discos. It received £2,000 to buy an electric wheelchair so that the more severely disabled people can take part in the dancing.

Popcorn in the Park is the name of a café with a difference in Alexandra Park, north London. It is a training project for mentally-handicapped people. They learn about catering to the public in real life, the aim being that the training received will help them to find a job and become self-sufficient. It was given £3,000 to convert the café premises so that they can be used all year round, whatever the weather.

The Chicken Shed Theatre

Workshop, also in London, has been given £500 to cover the transport costs of severely-disabled participants in attending rehearsals. The workshop, founded by teachers and musicians 10 years ago, puts strong emphasis on the integration of the able-bodied and disabled in its activities and weekly meetings.

The fourth charity for the disabled to benefit from your money is the Harvest Trust in Wales, which aims to use the therapeutic values of working with animals and horticulture to help young people from the inner cities suffering from family, social or emotional problems. The £2,500 granted is to pay for materials to convert an existing

farmhouse to a residential centre, with the help of other donors.

To aid in treating those with alcohol and drug problems, £7,500 has been given to develop the Rugby House Project at Westminster in London, which is due to be opened next year. It will provide a desperately-needed centre for alcoholics trying to give up drinking and, just as important, stay off the bottle.

Another £7,500 of your money has gone towards the running costs of RAPT - Rented Accommodation for Teenagers - in Canterbury, Kent. This helps young homeless people to find a place to stay and a job, as well as being a youth centre.

Finally, £300 went to the Durham County Accommodation Support Group to fund the production of a computerised directory of accommodation for people with special needs.

J.E.

Weekend Business

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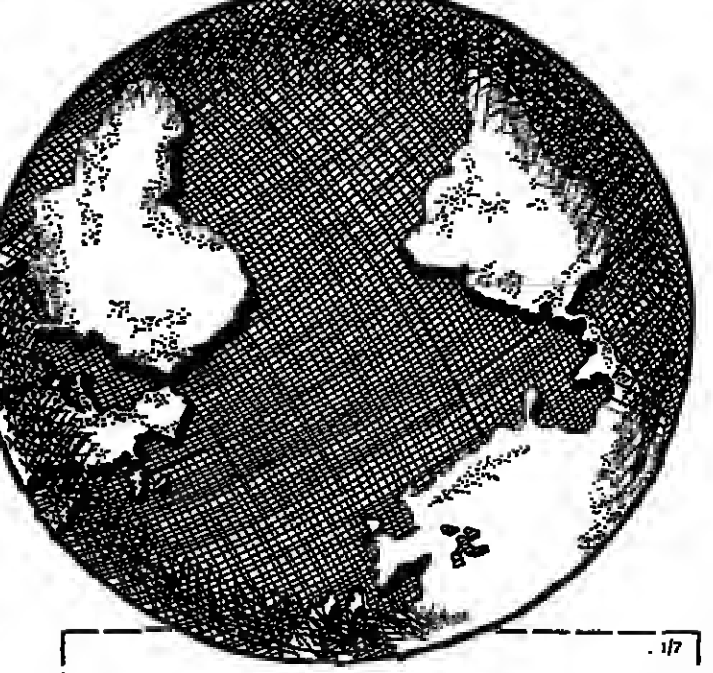
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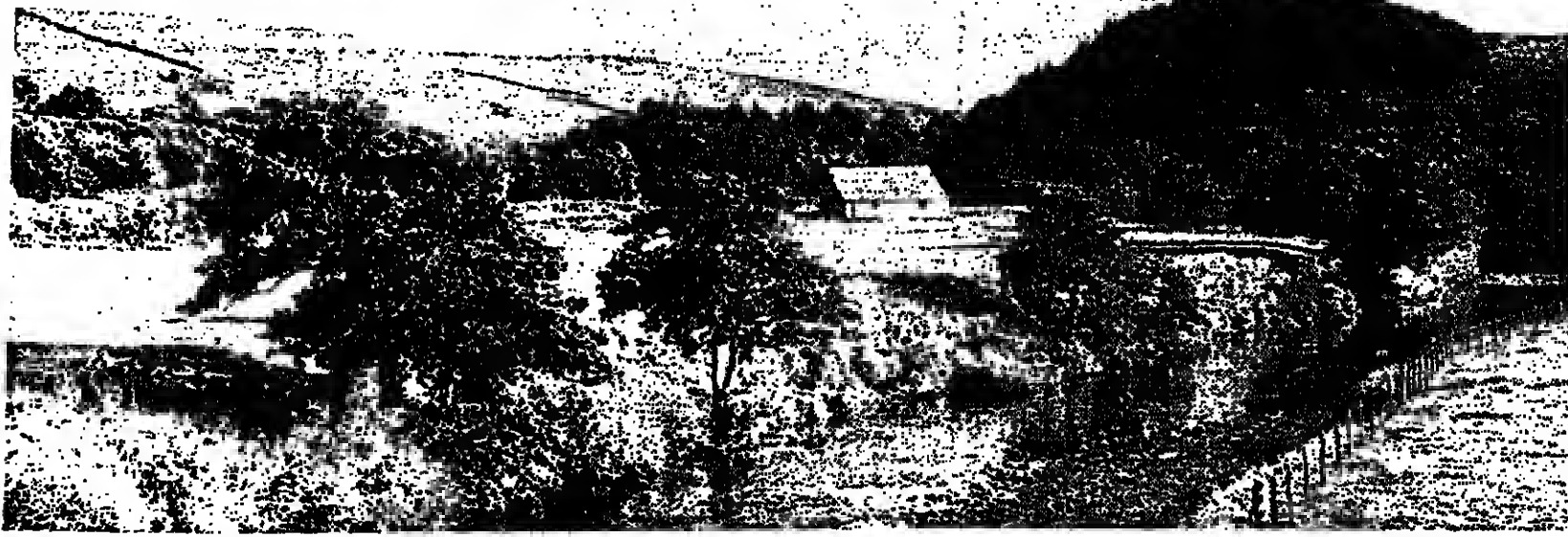
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TRAVEL · MOTORING ·

MERRIE ENGLAND



The River Hodder meanders through the Forest of Bowland

Vale of Lune: almost too perfect

Roger Beard finds a landscape which was admired by Constable and adored by Ruskin

IT ALL started with Ernest Marples, the Arthur Daley look-alike Transport Minister who inaugurated Britain's motorway network, beginning with the Presto by-pass to Lancashire. From his department's obsession with obliterating the British countryside sprang such masterpieces as the M1, M4, and that concrete ribbon to nowhere, the M6. Halfway up that is the original by-pass that some hold responsible for extensive despoilation of Old England. They could not be more wrong, for the M6 above Presto divides the flat wasteland of the Lancashire Fylde and the dubious delights of Blackpool, Morecambe and the coast from some of the most beautiful scenery in all England - largely forgotten by the seasonal holiday traffic roaring north to the seaside resort towns and the Lake District. To your left is bungalow land, with the Blackpool Tower just over the horizon; to your right, the soaring fells of the Forest of Bowland and the water meadows of the Vale of Lune where Lancashire, Cumbria and North Yorkshire meet. The contrast is total, and it would be a foolish traveller who

took the right-hand route to the forest before first turning left at junction 32 for Blackpool. It is a southern lashio to rediscover Blackpool, usually around the time of the autumn political party conferences, from the safety of a hotel - the lights, the Golden Mile, who's playing at the Wotter Garden, Yates' Wine Lodge and the happy, clog-wearing mill-workers on a well-earned night out. So it might appear, well south of Welford. The reality is different. By the time the Blackpool lights come on they are drenched in downpours driven in from the Irish Sea - the same rain that greens-up the bare hills of Bowland and feeds the River Lune. Yates' has long been a travesty of an Edwardian wine bar given up to the lager brigade, and the clogs have long since been replaced by trainer-footed day-trippers from Manchester. Blackpool itself suffers from the northern slump. People who cannot afford the Costas and Spanish suo suffer pull-down beds in multi-occupied rooms with a redundant black-and-white TV in the corner. For one month in the year, Blackpool is breezy. For the other 11 it is a dump, whatever statistics they throw at you. Yet, just across the motorway lies that great fist of rock, moor and small villages which pinches its way into the neck of England, the Forest of Bowland. What original trees there were have gone

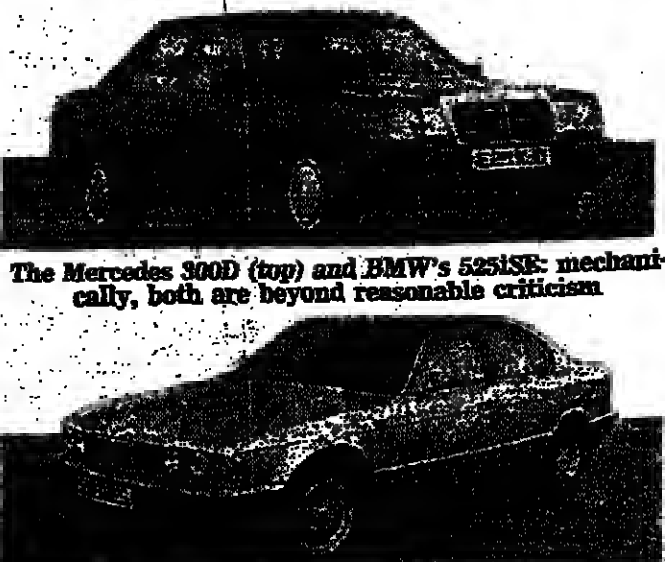
long since. Instead, you have outcrops and turf rising to nearly 2,000ft above the M6 and the Fylde beyond. Half-an-hour out of Blackpool and you are in heaven, even if it is raining. The first thing that hits you is its size - close to 150 square miles of highland with little but hamlets between you and nature, on the scale of Dartmoor rather than Bodmin but without their tons or bogs. There are no posties, either, and very few motorists on the minor roads which twist and turn their way through Bowland's contours. The second thing that strikes you is the isolation. Through the thick forest, most signs on the motorway point towards the coast or the lakes, and none overtly to the great expanse of the forest. To cross it, you would need to be heading for Skipton, Cliggwick and all points into the Yorkshire Dales National Park. Many Lancastrians hereabouts claim Yorkist origins, and vice-versa. The third thing is accent. The deeper you penetrate Bowland, the quicker the locals lose their rolling 'r's in deference to the softer 'l' of Cumbria. The scene is true for the harsher voices from Yorkshire. Step into one of the village pubs on these particular fells and you would be hard put to know which county you were in, at least to southern ears. They claim the Forest of Bowland for their own from Presto in the deep south to Lancaster in

the north, with other claimants as far apart as Kendal and Harrogate. But outside this restricted area, the forest is little known except to walkers. The motorist fraternity mainly stays well clear. Do not let that deter you. Take the back road out of Blackpool across the Fylde towards Longridge and Clitheroe, passing under the M6 at Broughton. Just before Longridge, watch carefully for the left turn to Chipping and Dunsop Bridge, which will bring you to Sykes Fell and the dramatic gash between it and Whims Brow - the Trough of Bowland. From here, it is a gradual run down towards the bottom of the Vale of Lune in the shadow of Bowland's fells and pikes, on near-deserted minor roads, to Brookhouse and the A68. Within the space of a few miles, you leave behind the rugged heights and move into an altogether different but equally secret landscape. The Vale of Lune, admired by Constable and adored by Ruskin, looks almost too perfect in places, as if laid out by some great gardener. The river meanders through water meadows, twists and turns below the heights and, at the small town of Kirkby Lonsdale, presents a picture straight from a landscape painting. Ruskin's View, from a wooded walkway above the Lune, looking towards Wharfedale, remains unchanged, a living example of pre-Raphaelite perfection.

Not so Kirkby Lonsdale itself. That has changed from a picturesque stone-built town to an up-market community where every second car seems to be a Range Rover and every second shop a high-class grocer. Counting the number of head-scarves on a Saturday morning, you conclude that the fussiest Sloane would be at home here. When you compare Kirkby Lonsdale with, say, Preston or Blackpool, you might just as well be in London's Kensington, so great is the social contrast. It is still a very pretty town, though, perhaps too close to the lakes in the high season for comfort but a good base both for the rest of the Vale and for Bowland. Follow the Lune north out of town, where the Vale narrows considerably, and return via the minor roads on its western bank, back past Kirkby Lonsdale and on to Artholton and Mellings. For centuries this was warlord country, with each local master switching sides and allegiance as the fabric of England wove together gradually. All that has long since been absorbed into a countryside of neat fields and villages, the history of which is now a footnote in the parish magazine. But should you wish to provide a foreign visitor with a true taste of England, this is the place to come. And, given the daunting prospect of returning down the M6, who could blame you for wanting to stay?

BMW v. Mercedes: a tough choice for user-choosers Pinnacles of desire

AFTER 1,000 miles (1,600 km) in a Mercedes 300 and the following week in a BMW 525iSE, comparisons are not odious but unavoidable. These cars are twin pinnacles of desire for business motorists - but which is the better? I find it very hard to provide an answer. Given that a company was paying, I could live blissfully with either. Three years ago, when the Mercedes 300 was new and the BMW 525 was nearing the end of its life, I would have had no doubt - it had to be the Mercedes. Now, with the 300 in its fourth year of production and the BMW 5-Series newly-arrived on the British market, I would go for the 525, although by the narrowest of margins. I do not make this judgment on mechanical grounds, for the two cars I drove were beyond reasonable criticism although, in some important ways, quite different (more of this in a moment). What I am looking at are the non-enthusiast features: the kind of things wives notice at once about cars and which the performance-obsessed testers of motoring magazines ignore. Coincidentally, both Mercedes 300 and BMW 525 were an identical shade of metallic bronze. The Mercedes had a sombre grey interior. The BMW's was altogether lighter and more cheerful in fawn. Both cars had pretty much the same amount of space inside and well-abspaced seats. The BMW's upholstery was firm but comfortable; however, I found the seats in the Mercedes unyielding enough to make me wobble after a couple of hours on the road, although a passenger with back trouble had no complaints. I have any readers, I wonder, chosen a Mercedes because they liked the seats? Or did they have one despite them? Has any reader rejected a Mercedes simply because the upholstery was too hard? I must, as I have before, quibble about the veneer trim around the 300's centre console. I am assured it is real tree wood, but only German genius could make it look like Formica coated with clear nail varnish. Do buyers really like it? I preferred the plastic mouldings in the BMW. Some people complain about the size of the steering wheel in a Mercedes 300/300. It is, they say, unnecessarily large. Perhaps so. But at least it gives an unimpeded view of the plain, easily-read instruments. In the BMW, a tall driver finds the top half of



The Mercedes 300 (top) and BMW's 525iSE: mechanically, both are beyond reasonable criticism

about 100 miles of running around in France. Next day, when I drove off the boat at Newhaven, there was plenty of the cheap Welsh diesel left to get me home. At least half of the 465 miles (744 kms) had been on motorways with the car laden quite heavily. Both cars have ample luggage space. The Mercedes swallowed four people's weekend cases plus the body of visits to a hypermarket and Dieppe's marvellous Saturday morning market. Two golf bags and toolboxes looked lost in the BMW's boot. The BMW 525iSE and Mercedes 300 each had ABS brakes, power windows, and electric tilt and slide sunroofs that were almost free from wind buffeting at 60 mph (97 km/h). Both rode well on all kinds of roads, with no more noise or harshness from the 525iSE's 60-series Pirellis than from the 300's slightly narrower tyres. Handling was sharper in the BMW because of the latter tyres had less weight up front. Neither car (no, not even the BMW) struck me as sporty in character; just refined, more than adequately rapid and equipped fully. The BMW would have cost around £23,000, key in hand, with its optional metallic paint and on-board computer. The Mercedes 3000 is listed at £20,900, but my car had a host of extras (among them velour trim, electrically-adjustable front seats and automatic transmission), raising the on-road total to a little over £26,000. This tankful took me home to Tumbidge Wells, then to Gatwick and back, down to Newhaven for the Sealink ferry to Dieppe and

Stuart Marshall

Motor Cars

Advertisement for Cooper Bishoppate. It features a black and white photograph of a car and text describing the company's services, including a professional approach to car sales and a focus on fast-moving investors. Contact information for Cooper Bishoppate is provided.

Advertisement for GUY SALMON SPECIALIST CARS. It lists various car models like the Lamborghini Countach 5000 S and the Alfa Romeo Spider. It also includes a section for 'Holidays & Travel' and 'STAY IN LUXURY LAKE DISTRICT LODGES'.

Advertisement for ST. GODRIC'S COLLEGE, LONDON. It lists various educational courses such as Secretarial Training, Business Studies, and English. It also mentions 'THE SCHOOL OF ENGLISH' and provides contact details for further information.

Advertisement for a PUBLIC SALE. It describes a ship named 'M/S POLAR KRISTALL' for sale. The ad includes details about the ship's specifications, location, and contact information for the sale.

Legal Notices

A large section containing multiple legal notices. Each notice is headed 'IN THE HIGH COURT OF JUSTICE' and 'CHANCERY DIVISION'. They detail various legal proceedings, including matters of company law, trusts, and partnerships. The notices are organized into columns and include specific case names and dates.

Advertisement for 'A NEW ROSE... Financial Times Centenary' bred by David Austin Roses. It features a photograph of a rose and text describing the new breed of roses, their characteristics, and where to purchase them.

Advertisement for Classified Advertisement Rates. It provides a table of rates for different types of advertisements, including appointments, commercial and industrial property, and business opportunities. It also includes contact information for the advertising department.

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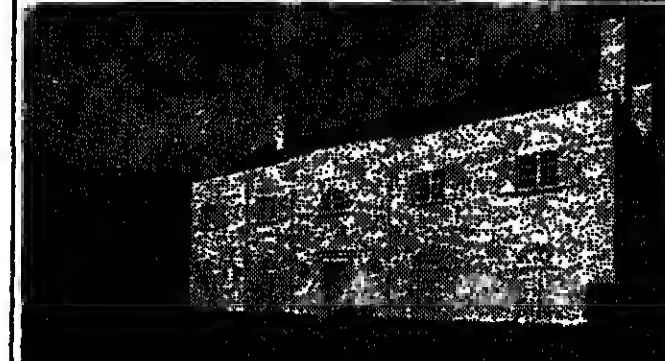
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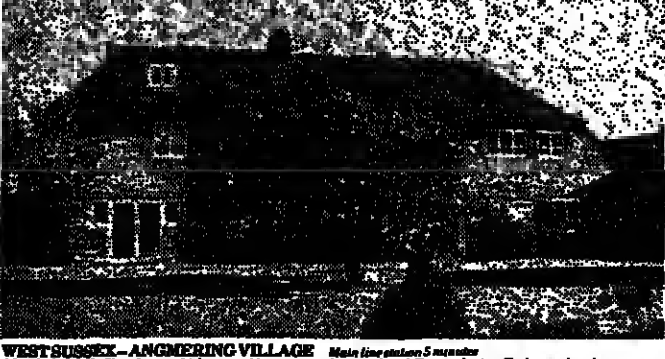
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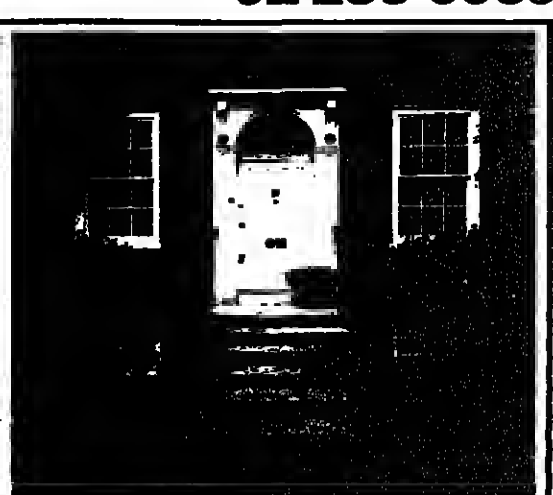
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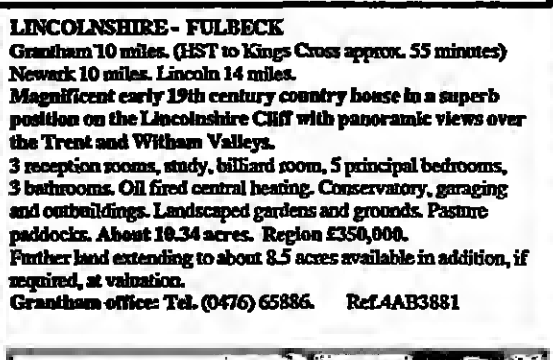
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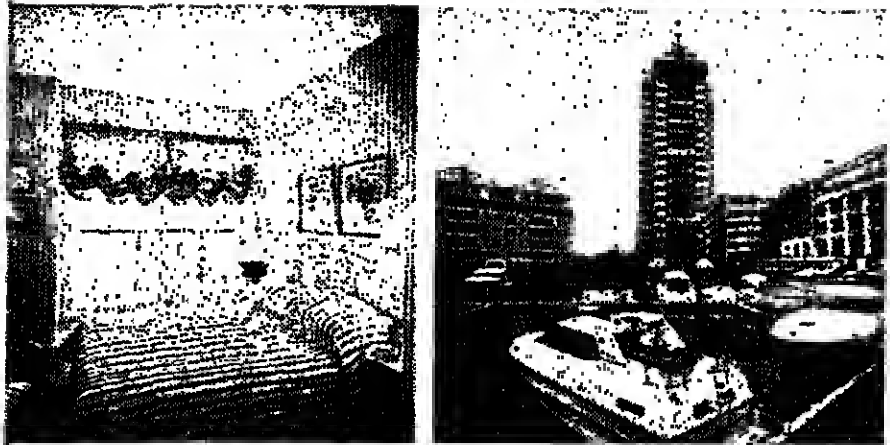
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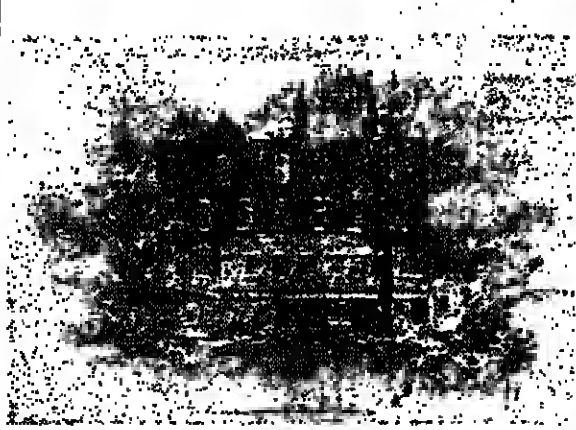
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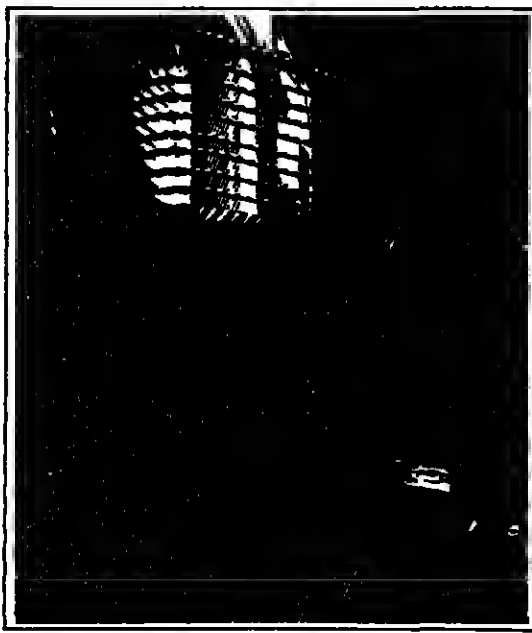
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DIVERSIONS

Does the Education Reform Bill pose a threat to academic freedom? Christian Tyler reports

The dons who fear the dole queue

"GOOD AFTERNOON, Mr Newton. Please sit down."

"Now then, Trinity informs us you've done some very good work on - what d'you call 'em - fluxions? Perhaps you would tell the Council what you're doing at the moment..."

"I see. In the garden, you say? And what is this stuff, er, gravitation?"

"Quite, quite. I see. But what the Council needs to know is what it's for."

"Oh. But surely you can think of some industrial application... you know, some export potential? Funds for research are limited, Mr Newton, so I'm sure you appreciate that as a country we simply must be more competitive..."

"I see. Well, I'm sorry to hear it. Naturally, we'll let you know. But I must say, quite frankly, I don't hold out much hope. Thank you for coming to see us, Mr Newton."

OF COURSE, Isaac Newton never had to face a Universities Funding Council of the sort proposed in legislation now going through Parliament. He got his tenure at Cambridge, more than fulfilled his early promise, and was among those academic freedom fighters who resisted King James II's attempt to install Catholics in top university jobs.

Today, many dons believe they are facing a threat to academic freedom every bit as great as that posed during King James's inglorious last years before the Glorious Revolution of 1688.

The cause of their alarm is the Education Reform Bill, which abolishes academic tenure formally for scholars newly-recruited or promoted, and which replaces the University Grants Committee with a market-sensitive funding council on which businessmen, not academics,

will call the shots. Thanks to the presence in the Lords of so many university chancellors and senior academics, the dons' campaign against the Bill has been more successful than that of any other pressure group. But it will certainly be redoubled in the next few weeks if, as they believe, ministers decided in conclave this week to overturn in the Commons the crucial Lords' amendment to so-called contract funding.

The success of British university education traditionally has been defined by this sort of an equation: tenure = freedom = excellence. But it has become clear, even to the Government's most dedicated opponents, that the fight for tenure is meaningless if the fight over funding is lost.

Not that the controversy over tenure is dead, by any means. This week, the Association of University Teachers was preparing a legal petition on behalf of Edgar Page, a 57-year-old philosophy lecturer at Hull University who believes he is the first tenured academic to receive a dismissal notice for refusing "voluntary" early retirement.

In the past eight years, according to one estimate, 4,000 dons have been squeezed out of their jobs by public spending cuts. Tenured or not, they have all gone more or less quietly. Page is different. He was selected for early retirement after 22 years at



Hull because he is the oldest member of a department of eight which the university wants to reduce to seven. "Voluntary" means there is a choice," he said yesterday. "And I chose to say no."

There is no suggestion that Page is being asked to go because his work is poor or controversial, as has happened in some previous instances. He works in the comparatively new field of "applied ethics," studying the ethical problems raised by test-tube babies and surrogate mothers. The *Genetic Relation*, the book he is writing under contract with Blackwells, has been held up by the future.

The union is treating Page's stand on principle as a test case. It has called on all academics to boycott the university and there is talk of industrial action on the campus.

Whatever the legal validity of Page's argument, it is not the sort to attract much sympathy outside the groves of academe. "Tenure is not popular with the public," says John Crawford, a member of the Committee for University Autonomy based at the London School of Economics. "It is seen as the worst kind of closed shop."

While academic tenure has been the custom since the Middle Ages, it

has been protected statutorily only in modern times. Contractual terms and university statutes vary, but tenure usually means that the appointee has his job until retirement and can be sacked only for gross misbehaviour or gross incompetence.

According to the AUT and others, academic tenure is not as rare a privilege as people imagine. Judges, civil servants, the police and doctors could all be said to have tenure of a kind. Yet, there is no doubt it confers a special security, if only through custom and practice. Lord Wedderburn, professor of commercial law at the London School of Economics (LSE)

and a left-wing past active in the education debate, says: "Everyone feels different the day after they get tenure."

The normal probation period in the UK is three years. In the US, seven to 10 years is quite common. Curiously, there is no longer any age limit on tenure in the US - "agraria" like racism and sexism, is a serious civic misdemeanour there. But tenure is more circumscribed than in Britain: fitness, mental fitness, the bona fide cancellation of a research programme and financial exigency - but it must be a genuine cash emergency at the university.

American tenure was made formal with the creation of the American Association of University Professors in 1915. Jordan Kurland, associate general secretary, says the purpose was to defend professors of economics and science who had come under attack for strange, "socialistic" ideas imported from Europe. It proved its worth during the McCarthy and Communist witch-hunts and again during the Vietnam war, when professors were accused of stirring unpatriotic sentiments among their students. Today, he says, it is relatively secure, adding: "What has happened in the UK in recent months has been a genuine shock to the American academic community. We thought the values associated with academic freedom

were part of the warp and weft of British life."

If tenure guarantees academic freedom it can also guarantee the freedom to do not very much. The retiring Vice-Chancellor of Cambridge, Sir Peter Swinnerton-Dyer, caused a stir in 1981 when he spoke of those who "merely give the same aging lectures from the same ageing lecture notes... Here, as in every university, there are academics who draw a full day's pay for half a day's work."

Dr Anthony Smith, a reader in sociology at the LSE and another member of the Committee for University Autonomy, conceded that vice-chancellors had not wanted the tenure escape clause widened sufficiently in order to clear the academic deadwood. However, he is dismayed that ministers rejected a compromise proposal whereby dons could be awarded 10-year contracts. He says he is not political but claims there is an ideological as well as a financial motive behind the Government's reforms.

If you see a cross-legged government, you might want to printing notes, who might command a list of public attention, it's a curious paradox. The intelligentsia has no great weight here. On the other hand, individual academics can be highly regarded - people like Bertrand Russell, A.J.P. Taylor, Lord Decree - and are watched out by TV, radio and the Press.

The Association of University Teachers sees another paradox. "Tenure used to be a sign of distinction," said the union's spokeswoman. "But once the Bill becomes law, it will be a sign that you weren't good enough to win promotion." The fight for tenure might be lost but the battle for academic freedom continues. Arise, Sir Isaac.

SCARCELY had I moved into my house, in a middle-class suburb of Lahore, than I was besieged by an army of neighbours, eager to inspect the pale-faced newcomer. I began to realise how owners of stately homes must feel for they trooped through the house, picking me up, but-butting over that. And then they were gone, disappearing as quickly as my favourite pens.

The peace did not last long. I'd mentioned I needed a servant and word spread quickly here. Soon, an assortment of young girls appeared. Eventually, I found one who seemed to understand that my chilli tolerance levels are well below those of an average Pakistani and that I would rather not face stuffed goat for dinner.

On her second day with me, Joshta appeared at my bedroom door brandishing a sheet of paper covered in Urdu scrawl. "Can you get me divorce?" she asked. I was somewhat taken

Sold out - to an old dwarf

aback but, having attended my fair share of Pakistani dinner parties - where conversation often revolves around problems with servants - I knew that, in return for unswerving loyalty, one is expected to look after every aspect of the health and welfare of one's staff and act as intermediary in all their dealings with officials.

While wondering quite what to do, I asked Joshta why she wanted the divorce. She explained that she had been introduced to a boy from another village and told she was to marry him. He was tall and handsome, and in the days preceding the wedding became the subject of all her dreams. Finally, the wedding day

arrived and, as is usual here, separate His and Hers ceremonies were held before Joshta was taken to the room in which the wedding was to be consummated. In graphic terms, she described how she could hardly contain her excitement.

After an agonising wait the door eventually opened. Instead of the dashing young man of Joshta's dreams, in walked a middle-aged dwarf, half her height and three times her age. Joshta's father had sold her off to the chap's elder brother who had offered a better price. Joshta jumped out of the window and fled, running the three miles to Lahore where, hearing of my plight, she had ended up at my door.



Sympathising with this sad tale, I called on a lawyer friend for advice. Having examined the document, he told me that there was no way Joshta could get a divorce because she - who, like 74 per cent of the population, is illiterate - had signed her life to this man, all for a few rupees in her father's pocket. Joshta was openly disgusted with my failure to resolve her problem, and subsequently left.

Christina Lamb

It is raining hard outside the Old Rectory in Sussex Oh golly, what a Sloane-Wally

LIKE EVERYWHERE else it has been raining extraordinarily hard at the Sloane-Wally's Old Rectory in Sussex, and I must reassure readers that they have been no more successful than the rest of us in fending off the greenfly and keeping the sweet peas upright. Veronica Sloane-Wally has never felt the same about greenfly since she read in the newspaper that they reproduce by virgin birth: might these habits spread to earwigs? Julian Sloane-Wally usually carries out a weekly massacre of the innocents, armed with the Killa Spray, after church on Sunday.

However, he has been impeded in the past fortnight by an unfortunate incident at Victoria's school sports. One unrecognised side-effect of financial deregulation is that fathers' races are no longer a tolerant lollip. They are not an event but a competition.

Speed is increasing in direct proportion to the school fees. Julian has always known privately that he can move very much faster than the funds under his management: three years ago, he left the other fathers standing on the final bend. The next time out, two ghostly banking fathers appeared wearing satin-red running shorts under their suits. They talked about personal bests at the starting apex, the next year the serious runners took the hint and turned up in spiked shoes.

On the third day, a chasm of despair opened before me. I walked the same distance as the previous day and fished into the same wind, with the same result (except that I yanked my fly out of the mouth of the best trout I saw all weekend). In the evening, thank God, we went out to dinner, so I was spared further humiliation.

Monday was our last day, and we had to leave after lunch. By this time, both the Greedy Brother and the Crafty Irishman had enjoyed a sufficient measure of success. They were blasé about their own efforts, insufferably condescending towards mine. As I set off for the currant bush run for my final throw.

I cast away for a while with no result, and began to feel familiar desperation. Then, a decent fish took my Greenwell while I was looking the other way. A trifle ashamed, I netted it and rapped it over the head. A little way upstream, in a quiet run off the main flow, I saw swallows dip for flies. I approached and saw a sip at the surface. I caught that fish, and then another. I hooked a third, and lost it. Fifty yards above, I saw another sip and caught the sipper.

I brought back the four fish, which the Greedy Brother tried and which we ate in our fingers. They were sweet to eat, sweeter by far to catch. As I munched, I reflected on the nature of an obsession that enables three days of failure to be redeemed by four little fish. And I remembered to be humble.

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Robin Lane Fox has been keeping an eye on some friends and tells us what they've been doing in the depths of summer



This year, Julian did have a week's practice, jump-starting between the Princess Michael of Kent rosebed and the avenue of Acer Goldsworth Purple. The feel of his old running shoes brought back old track memories, but he turned up at this year's competition to find that the headmistress had banned fathers from wearing spikes.

One of the problems of school life is that younger fathers take over the forms, which your child, rarely occupied when the fees were rather lower. They are not only younger and richer: nowadays, they want to prove themselves quicker, too. In the home strait, Julian was elbowed down by a London estate agent: a twisted knee has put gardening life in question.

Injury never comes at an easy moment. Three years have passed since the fateful move to Sussex. And the biggest success

has been the new-style white garden, enlivened by purple Japanese maple among a profusion of late-night whiteness from the Crabe cordifolia which they found in a Christmas gardening book. There has even been a new venture. Advancing years, in the rider, not the mount, has meant a new home for Victoria's pony, Peter Jones. Peter is now ten mowers, avoiding all the worst weeds. Free-free at last, Veronica has gone ahead with her plan for turning the garden into a natural wildflower garden.

A charming young man from the county council was only too glad to pay a remarkable proportion of the new garden's cost but maintenance so long as the trees were native broad-leaves and the results were visible with bioculars from a nearby public footpath.

As he could not tell a wild native pear from a weeping silver

leafed one, Veronica has been planning as if the poll tax has no future, knowing that the council is picking up half the cost. It must be conscience money for the awful flower beds they have dug out on the local roads, but allow rate-payers are now financing three acres of broad-leaved avenues in the Old Rectory paddock.

They have not financed the underplanting. Julian and Veronica have always wanted the sort of old meadow which you see in Alison Uttley's books for children. They bought a heavy weight of Farmer's Nightmare seed mixture and added in some harebells from John Chambers' seed list. They spent a happy Easter, broadcasting it all over Peter Jones' old hoof marks.

Songbirds, weeds are more obstinate than if it is you, not they, who do the sowing. There have been a few cowflowers and a spray of moon daisies which is nearly as good as the one on the banks of the nearby A23. The trouble is that the ungrazed thistles and docks have seized their opportunity. In the wet weather, they have elbowed out all competition, swathed splotchily by the one Sloane-Wally who would usually have the strength to use the Allen motor-scythe if his knee permitted. Those thistles appear to be hinting that next year's race will go to the strong.

A garden's charm is its changing face, says Arthur Hellyer When the midsummer orgy is over

MANY THOUSANDS of visitors to the Festival of the British Rose, the summer flower show of the Royal National Rose Society, saw the garden which my colleague Robin Lane Fox disliked so heartily when he visited it for the first time a few weeks ago.

A few will have shared his view that it is over-coloured, over-dependent on the modern rose, and that this 20th century version is brash and ungainly by comparison with its ancestors. Most, I imagine, will have revelled in the display, marvelled at the vigour of the plants on soil that is not very good, and wished that their own gardens could emulate this on a smaller scale.

Critics and admirers overlook one element which applies not only to this garden but to all those which concentrate on flowers. Unless great resources of labour and plants are available to effect frequent changes in planting - as was the custom in the great Victorian and Edwardian gardens and still is in some public parks and zoo gardens - displays such as these inevitably are short term.

Had Robin visited the RNRS rose garden a few weeks earlier, he would have found only species and shrub roses in flower with not even a touch in sight of the strong colours he dislikes. In a few weeks' time all the colour will be wanting again, for even the modern hybrids - whatever names one may attach to them - do not maintain their midsummer orgy for long, although many do produce further flushes of bloom which are likely to peak in September.

By November it is all over bar the fruits or hips which, even at their most spectacular in species such as *moses villosa*, are unlikely to offend the most sensitive eyes. During winter and spring, the rose garden at St Albans in Hertfordshire will be remarkable only for its overall design, its trees, and the well-contrasted green columns and golden globes of yew which were



already a well-established feature long before the RNRS arrived. The point I wish to make goes far beyond this particular garden. It applies to all gardens in which flowering plants play a major role - which means the majority of gardens made since the 18th century. Landscape revolution petered out because of the British passion for plants.

Nowadays, almost everyone who opens a garden to the public does so during the period when it is expected to be at its floral peak. It is then that writers visit and describe them and photographers take their pictures. So, between us, we create the illusion that this is how they always are.

This, of course, is rubbish and a good thing, too, for the greatest charm of most British gardens is that they are changing constantly. I have only to leave my own for a week to find it looking quite different when I return, and that is precisely how I wish it to be. I do not want to live in a comparatively static green landscape, still less in the midst of an eternal bedding scheme that would exhaust my patience within days.

My ideal garden would have no peak periods and no dull ones. I

acquaintances and getting to know their qualities.

My criticism of the RNRS garden is that the range of its plants is too confined, even though the rose family is enormous. It would gain, I think, from the contrast of some families with totally different characteristics and different periods of arrival.

There have already been moves in this direction and I would be surprised if they did not continue, for this seems to be the way in which English garden-making is moving at the moment.

It might be a good idea if rose breeders also would bear in mind this need for greater variety and spare a little of their time in producing new roses flowering at different times with different leaves, some colouring in autumn - as those of *nitida* - and with hips and thorns of different shapes and colours.

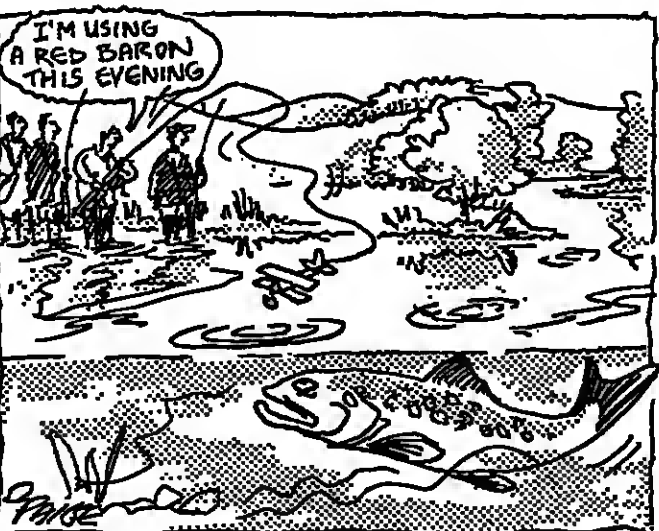
They could also exploit the almost-unexplored variety of rose perfume more eagerly than they have, with special attention to those that are thrown freely onto the air. Perhaps there is not so much of this of any of this to attract the rationalists, but almost daily excitement of meeting old friends that have been absent for a while or making new

Tom Fort goes fishing and returns a chastened but wiser man He that shall humble himself

IN FISHING, as in other matters, the acquisition of humility is a necessary but usually painful business. After four days of character-forming exertion in Cumberland (the right-minded angler does not recognise Cumbria), I am distinctly humble. I have undertaken a period of self-examination. I trust I have emerged a wiser, more mature fisherman.

My companions on the trip were three in number. There was the Greedy Brother, whose chief enthusiasm in life is evidenced regularly elsewhere in the Weekend FT but who also likes the occasional riverside foray; the Sleeping Brother, who was once the keenest of us all but now prefers dozing to fishing; and the Crafty Irishman, who always catches more than the rest of us put together, is modest and helpful with it and generally makes us feel like inferior beings.

Each year we migrate to fish the Eden and its tributary, the Eamont, near Penrith. The Eden is a great river, broad and strong and long. Once, it had great runs of salmon. Now, the salmon are comparatively few, although the native brown trout are still plentiful, as they are on the Eamont. These are the docile farmed bred products used to stock the streams of the south. They are wild in their spotted beauty, and wild in their behaviour when hooked. They are relatively small - a fish of a pound is a respectable one. In view of their great



number they should be easy to catch, and I was feeling pretty confident.

I had had several good days with the mayfly on a variety of manmade southern waters. My talk was of baskets of trout, rather than individuals. In short, I was in a foolish state of mind and ridding for a fall.

The first evening was a beauty; a little cool, but still and clear. I decided in advance that it would be an evening for the sedge. I like sedges, those fat flies that whizz about at night and flutter so

appetisingly on the water. As we walked up-river, the Crafty Irishman told me he thought it was a sedge evening, too.

The light was dimming as I slipped into the water below the wild currant bush. The fish began to rise, at first with restraint, then with enthusiasm. I banged the sedge on their heads in determined fashion. One simple-minded little fellow gave himself up and was returned. Confused in my folly, I continued with the sedge. It was ignored.

I put on another sedge. It floated down untouched, mocking me as the trout splashed around it.

Enervated by this display of faddishness, I decided that I should really be fishing elsewhere. I strode down-river, and spotted the Crafty Irishman playing a fish. Instinctively, I knew it was the latest of several. He proffered the information that it was not a sedge evening, after all. It was a hatch of Blue Winged Olive, and he was fishing an Orange Quill. I snorted and marched on. When I got to my alternative spot, it was com-

pletely dark and the rise was finished.

Next day, I spent the hours of full daylight walking an immense distance, attempting without any success to fish into the teeth of a downstream gale. By evening the wind had dropped, and this time I was ready with the Orange Quill. There was no rise. The Greedy Brother fished the spot where I had flopped the night before and caught four good fish.

On the third day, a chasm of despair opened before me. I walked the same distance as the previous day and fished into the same wind, with the same result (except that I yanked my fly out of the mouth of the best trout I saw all weekend). In the evening, thank God, we went out to dinner, so I was spared further humiliation.

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DIVERSIONS

Have briefcase will travel. How to fit a wardrobe into the smallest possible space
Advice from the leader of the pack

YOU DON'T need to look at the weather to see if it's summer. You can tell when the columns of newspapers begin to fill up with trendy packing advice.

As one who is incapable of travelling, whether for a weekend or a fortnight, without filling every available corner 'just in case' and can always be spotted wearing that haunted look peculiar to those who are heavy laden, I used to regard all this as just a lot of improbable propaganda.

This week I have found somebody even more dispiriting for weavers of the travelling classes - Carolyn Miller, who runs her own luggage consultant and colour analysis company and who on Saturday, in conjunction with the Harrods team, was responsible for the make-overs of our guinea-pigs at the FT Centenary Celebration Conference, Personal Investment 1988.

One of the star turns was her 'Paul Daniels magic briefcase trick'. Into one average-sized briefcase she packs enough clothes for a fortnight's trip. Out from the briefcase she winks enough clothes to cover almost any event, ranging from a formal dinner, to a business meeting, to sightseeing and relaxing. This is how it is done.

You must start, of course, with the right clothes. Carolyn Miller believes that if you buy the right ones you don't need very many and the first lesson to be learned is that the real cost of your clothes is not what you pay for them - it is the price divided by the number of times you wear them.

A good capsule wardrobe should start with a suit. When you have found one you like, try it on and look at it from all angles, ask yourself if the jacket and the skirt each look good and work independently.

In this country lightweight wools generally give the best value - they can be worn summer and winter, with linens, silks and wools.

When you start to plan what you are going to pack you should plan it around a couple of neutral colours to which you then add some basic colours that you like and enjoying wearing. This will mean that everything goes with everything else but the look can

Want to pack for all occasions? First take three rolls...

be varied easily. Here are her four suggested colour schemes:

- Start with chocolate brown, tans and creams then add any of the following - geranium red, soft turquoise, coral pink, soft yellow.
Start with bronze, khaki and dark olive and add oyster, brick and rust red, amber yellow, kingfisher blues, chestnut.
To black, grey or white add scarlet, bright or royal blues, emerald green, purple.
To burgundy, soft blue-grey, soft white add Deloit and

demim blues, rose inadder pink, hyacinth, jade greens.

For travelling you start by wearing a jacket, a blouse and a skirt, court shoes and by carrying a lightweight coat or mac. Into the briefcase then go four rolls (Carolyn Miller rolls everything in groups so that each garment acts like tissue paper and protects them from creasing).

The first roll consists of skirts, of which there are three. There is the skirt that makes up the suit with the jacket she is wearing, a more casual skirt (or a pair of trousers) in a lightweight wool or crepe or gabardine which can be worn with T-shirt or jumper for day and dressed up for evening. Finally, there is a more dressing skirt for evening that also looks good with the jacket. All three are folded together until they are the right width of the briefcase and then rolled up.

The second roll consists of blouses of which she takes about five - they should be in a variety of colours, some day, some evening and one might very well be very dressy and could even be the other half of the dressy skirt, turning it into an evening dress. Hang the first one on a hanger, the second one over it (pull the sleeves through, do up the buttons) and so on. Finally, lie the group on floor or bed, slip the hanger on without disturbing anything and then fold the sleeves inwards towards the centre, making sure all the collars

are up and flat. Then roll to fit the briefcase.

The third roll contains a lightweight wool jacket cardigan; a T-shirt top which could be dressed up with jewellery for day-time leisure wear; a camisole top and jacket; a bikini; a large metre-square scarf; some belts (invaluable for changing the look of an outfit). Lay them all one inside the other, fold to width of briefcase and roll.

Finally, the fourth roll contains a flat pair of shoes that will go with most things and inside these is quite a selection of jewellery - beads for day, glitz for evening.

Want to try it sometime? If you think it all sounds highly highly improbable (I, too, would have thought so if I hadn't seen it with my own eyes) take a look at the photograph of Carolyn Miller with her packed and open briefcase to prove it.

If you, too, would like to add a little of the Carolyn Miller organisational touch to your wardrobe contact her at Carolyn Miller Image Consultants and Colour Analysts, 4, Dudrich House, Princes Lane, London N10 8LU. Tel. 01-444-8621. There are various services available - a half-day introduction to style costs £45, a full day image day, £65, a man's image day full day course is £75 while a 3-hour make-up class is £20.



Lucia van der Post



Drawings by Margaret Keedy

Key to a combination

IF YOU don't already own the kind of beautifully-planned and carefully colour-co-ordinated wardrobe of the kind that Carolyn Miller does, sketched here is a complete mini-wardrobe all worked out for you by the Harrods fashion team. Based on eight pieces, all in combinations of black and white, it offers an enormous variety of looks.

You could look cool and classic, highly sophisticated,

slightly knooky or very glamorous. Based around a black linen suit by Fred Sares - slim, short skirt (£70.50) and long-line jacket without revers (£185) - both pieces pass the Carolyn Miller test of looking good on their own.

The slim skirt could be worn with the Georges Koch white body suit (£27), a silky tie-fronted skirt for evening (£28), and the black and white spotted Fred Sares long jacket (£285) which also doubles as a dress.

The silky tie-fronted shirt also looks very glamorous when worn with the black and white spotted silk trousers by Savoir Faire (£38). Either of the jackets - the plain black linen or the black and white spotted long jacket - would look good with the

Unanym white pleated skirt (£87). There is also a black and white spotted Fred Sares cotton skirt which would work with both skirts and the trousers (£72). If you bought everything suggested the bill would be £798, which at first sight sounds a great deal, but using the Carolyn Miller method for costing garments by the number of times you wear them and not by the initial outlay, they could offer outstanding value for money.

Blaze away this summer

PACKING light if you are a man looks an infinitely easier exercise than it is for women. Travel in a suit, take a selection of shirts and ties, and you can go most places - everywhere in fact except the very formal or the very casual.

If you want a versatile off-duty wardrobe the fashion team at Harrods showed readers at the FT centenary conference how to build it around The Blazer. A blazer is the kind of classic every man should own. Wear it with dark navy trousers, shirt and tie and you have quite a formal look that could certainly be worn to all except the most staid of business meetings; team it with grey flannels and shirt (either open or with a tie, depending upon the event) and you could go to Sunday lunch; put it with 501s to go to an afternoon sports event; wear it with light-coloured chinos and a polo shirt or, if you're really daring, wear it with shorts and a polo shirt.

First, however, choose your blazer. The classic blazer, which never dates, would be made from super 100 cloth (an arcane term relating to the

fineness of the cloth and denoting a very fine wool), should be double-breasted, have double vents at the back and sport anything from four to eight gilt regimental buttons on the front and four on each cuff. They come at all prices. Marks and Spencer sells a pure wool, double-breasted, four-buttoned version (but with no vents) for just £80. Then Dix does one (sketched here) which is perhaps more of a fashion blazer (not everybody may wish to flaunt the Dior-initiated gilt buttons) and sells in Harrods at £155. Chester Barrie has a six-buttoned version that sells at £370 or, for the imitable Turnbull & Asser name, you would have to pay £475 for an eight-buttoned model or £415 for six buttons. Perfectionists might like to have one made to measure at somewhere like Gieves & Hawkes, 1 Savile Row, London W1, for anything from £625 to £700.

Here we show two of the looks you can achieve with the help of a blazer. This selection was chosen by Harrods.



Same blazer, different looks: casual (left) and businesslike

Advertisement for Audemars Piguet 'The Automatic Chronograph' watch. Includes image of the watch and text: 'THE AUTOMATIC CHRONOGRAPH', 'Audemars Piguet', 'La plus prestigieuse des signatures.', 'AVAILABLE AT: ASPREY, GARRARD, LONDON HILTON, MAPPIN & WEBB, DAVID MORRIS, TYNE, THE WATCH GALLERY AND WATCHES OF SWITZERLAND.'

Advertisement for 'The buying of indulgences' by Peter Fort. Includes text: 'HURRAH, HURRAH, it's holiday time again so we're off to foreign parts to eat, drink, sleep - in short, to indulge. Do you remember that little restaurant in Piamella, my dear? Il Molino, or some such. It stood in the bowl of hills by the river. We started lunch with crostini - little rounds of bread, some spread with raw tomato puree spiked with olive oil, chopped capers and oregano, others with mayonnaise flecked with parsley, and a third with mashed chicken livers. The wine came in a bottle with no label on it. It was delicious. When the proprietor arrived with the tagliatini - fatto a casa - with a sauce of artichokes and chilli - we asked him where it came from but he wouldn't tell us. He was no more forthcoming when he arrived with pollo alla diavola, reeking of lemon juice, olive oil and rosemary, with a side dish of cannellini beans in oil. He merely said that he had bought the whole of that particular year's supply. Nor did he succumb when he brought the chocolate truffle ice-cream at the end, but did we care by then? I remember that my head hummed like a cricket. I think that's one of the joys of eating and drinking, public or private, in Italy. There's no side to it, no pretence, or not very much. You get served with much the same gusto and with much the same food, in restaurants as will take a few days to ripen. Then we have a third bag, of white ones, so we had better have some of them, too. And he's got bundles of zucchini flowers. You don't find those in M and S or Sainsbury, or anywhere outside my garden, come to that, and they're quite delicious stuffed with mozzarella and anchovy fillets and dipped in batter and fried. Of course two bunches. And isn't that thoughtful. He's put in a bunch of basil and another of parsley. Now it's into the little covered market in search of the bistecca. Or shall we have a nice loin of pork cooked in milk and bay leaves instead? Come to think of it, those rabbits look rather tempting. We could gently stew it in white wine, a sniff of garlic and some wild fennel. I saw some growing by the track down to the house. And the fish stalls are open today. There are neat and orderly displays of fresh sardines and scampi and soles and bass and mullet and octopus and squid and shrimps and mussels and it's all too much of a good thing. So we shall start off with a small bowl of rich and fruity caudo (fish stew), and then we'll nibble a succulent limb of rabbit infused with the fennel with a restrained helping of fungus, a shaving or two of parmesan and a handful of cherries to finish with. How about that? Or we could try the artichokes to start with. On second thoughts, why don't we stay here for ever so that we can try the lot?

Advertisement for Browns sale. Includes text: 'Browns', '23-27 South Molton St., W1', '6c Sloane St., SW1', 'SALE NOW ON', 'Futher Productions at COMME des GARCONS 59 Brook St., W1', 'SALE Starts Today', 'POLO RALPH LAUREN', '143 NEW BOND STREET - LONDON W1', '(01) 491-4967'.

• DIVERSIONS •

Durrell collection goes on sale at Sotheby's

Secrets of the men of letters

LIFE IS NOT easy for writers as they grow old. The inspiration does not flow so freely and the advances from publishers dwindle. Then is the time they cash in on their reputations by selling off the literary archive.

It does not always work. When John Braine wanted to raise the money to buy a retirement home through the auctioning of his diaries, there were no takers. Now, Lawrence Durrell is having a go on Thursday at Sotheby's when he offers a most comprehensive collection which is as strong on items about another *enfant terrible* of 20th century literature, Henry Miller, as it is on Durrell himself.

The two men were great friends and correspondents and the collection includes unpublished novels by both of them and one they worked on together, as well as inscribed copies of books and Durrell's working library of more than 1,000 volumes. Perhaps most intriguing is a series of more than 1,000 love letters that Miller wrote to Brenda Venns, a half-Navajo beauty with whom he spent 10 years at the end of his life - with photocopies going to Durrell for approval. This seems to be carrying friendship, and literary pretension, too far.

The archive carries a top estimate of \$80,000 and no doubt some American library will be keen to snap it up.

The auction of English literature and history contains the usual ragsbag of the bizarre rubbing shoulders with the mundane. Among the former is the death mask of the Duke of Wellington, cast by the sculptor and medallist George Gammon Adams three days after the duke's death in 1832.

The famous aquiline nose dominates, and the mask must be reckoned the most authentic representation of the Iron Duke. The artist used it as a model for a bust of Wellington, copies of which were ordered by Queen Victoria and other notables. The cast went to Adams' daughter, who died in 1884. It is estimated at up to \$5,000.

There is considerable interest in Mahatma Gandhi, and in 1986 Sotheby's sold 275 of his letters to a European friend for \$154,000. Now, it is offering more than 90 letters to another European disciple, and legal partner, Henry Polak. They span the years 1905 to 1941 and contain many politi-

cal and philosophical insights. A top estimate of \$35,000 has been set.

The unpublished notebook of Captain Nolan, the man who carried the message from Lord Raglan which led to the Charge of the Light Brigade in the Crimea, is a rare find. Nolan was one of the first men to be killed in the charge.

His role in the misreading of the orders has been the cause of much speculation. His journal underscores the point that he wanted a much more aggressive role for the cavalry, and he might well have interpreted the message to this effect. A price of up to \$15,000 is anticipated.

A dive into the catalogue unearthed many intriguing items. There is Dickens' picnic spoon and fork, including corkscrew (estimate up to \$500); Marilyn Monroe's telephone messages, pharmacy bills and other detritus from a stay at the Beverly Hills Hotel in the spring of 1951 (top estimate \$1,500); a signed portrait of Rndolph Valentino (€500); and Somerset Maugham's malacca cane (€300).

Of more solid worth is the receipt from Charles Darwin to his publisher for payment for *The Descent of Man*. His fee for the first edition was \$500, the receipt is estimated now at up to \$2,000. A letter from Byron to his mother could go for \$2,000; a letter from King James II to Samuel Pepys is forecast at up to \$5,000; and so it goes on and on.

This is a market for the enthusiast, for the collector who has attached his fancy to some great, or infamous, figure of the past. But there also can be financial gain.

The director of the department, Roy Davis, points to a letter by George Eliot that sold for £330 in 1975 and made £2,640 two years ago; and two letters by Robert Louis Stevenson which appreciated in 11 years from £352 and £330 respectively to £1,430 and £1,330.

Much depends, though, upon who is in the saleroom on the day and the appeal of the literary or historical figure. They can go in and out of fashion like pop stars. Except, of course, for Winston Churchill. He is always in demand, and a collection of first editions of his works, plus books about him, carries a top estimate of \$12,000.

Antony Thorncroft

Miami Vice becomes Miami nice as Tinseltown's moguls desert California. Nigel Andrews reports

Florida's sun rises over Hollywood East

FOR MOST of this century, the possibility of the world's film capital ever leaving Hollywood, California, has seemed as remote as that of Mount Everest leaving Nepal. Even though many filmmakers today insist that Hollywood is a state of mind rather than a place - that most movies are actually made outside it - the unshakable fact is that the little suburb of Los Angeles houses most of the major film studios, and the rest of Los Angeles houses the rest.

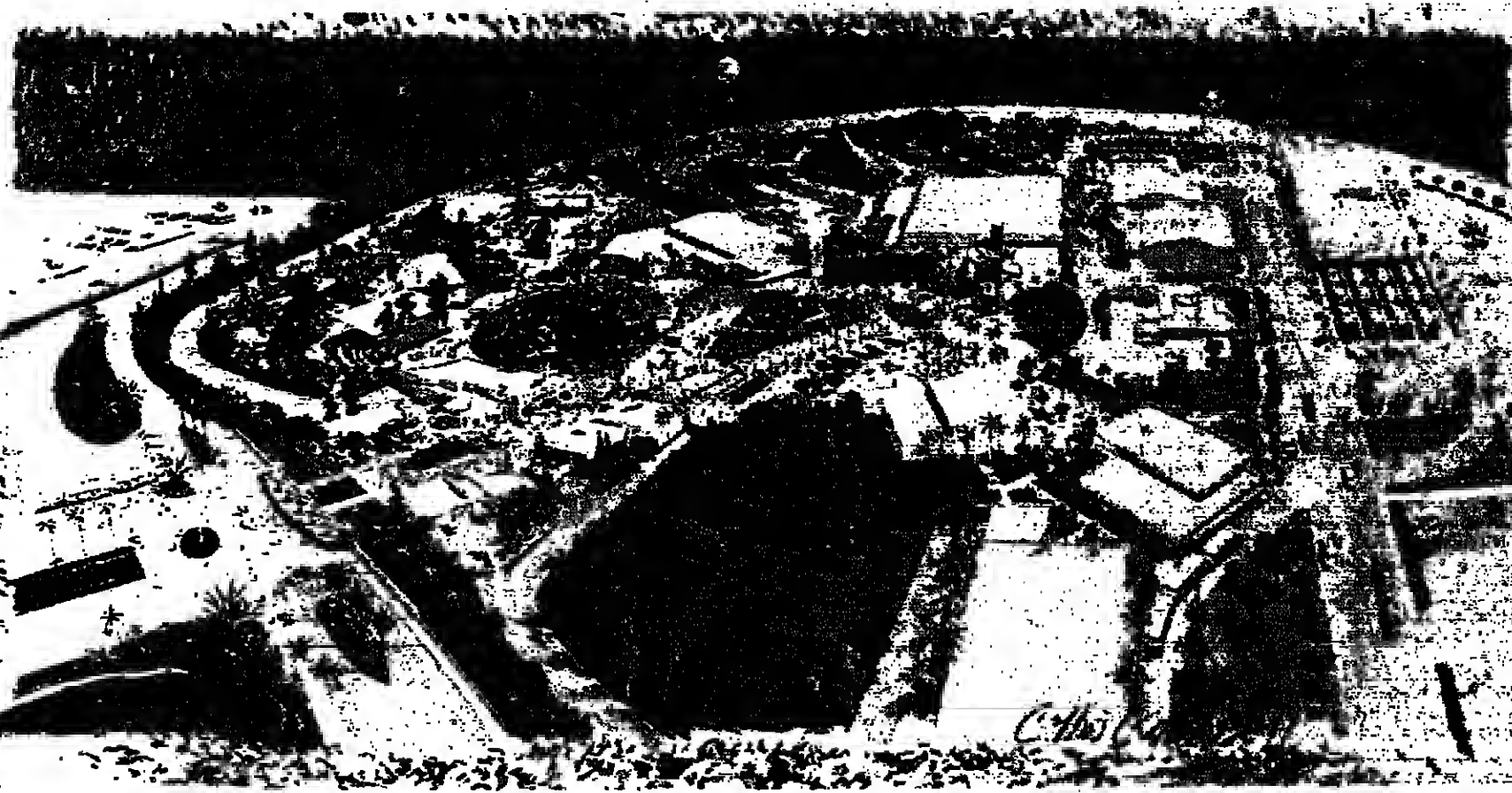
Is all this about to change? Florida recently saw the opening of a studio complex built by Disney in the heart of the 28,000-acre site near Orlando which houses the Disneyworld theme parks. Universal Pictures is opening its own studios 15 miles away which, like the Disney complex, will feature a special tour for visitors. And there have been rumours that Paramount also plans a Florida outpost.

To these developments can be added the frenzy of film and TV work now happening in Miami. Media-glamorised as a city of designer crime (see *Scarface* and *Miami Vice*), Florida's metropolis is spawning a brood of mini-studios. It has its own Film and TV Commission, and it is the western world's No 1 hot spot for commercial filming and photography, thanks to all those flamingoes, pastel-washed skyscrapers and Art Deco sunrises over Miami Beach.

If you throw all the facts about Florida into a hat, it seems startling that the state has not taken off as a movie heartland before. It almost did back in pre-Hollywood times. Around 1906 a small army of film-makers, including the pioneer of location-shooting, Sidney Olcott descended from New Jersey to Jacksonville to set up business. But conservative Florida had no wish to play host to a bunch of camera-whirring gypsies (some of them also fugitives from justice, escaping the northern patent laws), and set about making life uncomfortable. By 1912, Hollywood had become Hollywood and Jacksonville had returned to being - Jacksonville.

Now, 80 years later, Florida is again sending out siren calls to the film-makers. As well as the obvious attraction it shares with southern California - round-the-year sunshine - it has an advantage California cannot boast. It is a "right to work" state. A movie industry which out west has fought wearing duels with the unions (most recently the Writers Guild) would in Florida have a free hand.

Leading the move to lure Hollywood east is Richard "Dick" Renick, an ex-senator and head of



the Miami Film and TV Commission. Grey-haired but swashbuckling, Renick led the fight to get the Al Pacino film *Scarface* made in Miami seven years ago: the first major movie to exploit the city's criminal charisma.

'In five to eight years, I believe there will be two major film-making areas - Hollywood and Orlando'

The production met heavy resistance from the then city commissioner, who feared a stir on the city's image in general and its Hispanic population in particular. Since *Scarface*, Renick has overseen the *Miami Vice* series, which has portrayed the city as the most rumbustious haven of iniquity since Rome during the Borgias. Far from repelling visitors and Miami-lovers, though, the weekly *Cocktail* and *Tubis* show has coincided with, and probably fuelled, a

huge boom in tourism and an equal boom in movie production.

Renick is frank about Florida's ranking as a film state. Spending \$250m a year on movie-making, it is a low third behind California (\$60) and New York (\$2.5bn). But it is creeping up, not least as a shot-in-the-arm location for sequel movies. *Splash 2* and *Police Academy 5* both rolled in Florida during 1987-88, and *Cocoon 2*, a spin-off from the smash-hit sci-fi fantasy about a group of oldies scooped up by a spaceship, was filming during my visit.

Renick took me to the bosky heart of a Jewish cemetery in a Miami suburb where director Daniel Petrie was shooting a scene with veterans Jack Clifford and Gwen Verdon. "I've made a lot of films for Hollywood studios," he told me, "but I've scarcely ever made a film in Hollywood. And that goes for a lot of directors I know: people like Martin Ritt, Franklin Schaffner, Sidney Lumet. You make movies where the location fits."

"The disadvantage is that if you make a film in Cleveland, or Foughkeepsie, you have to bring the whole crew over from Hollywood. But Florida has a core of

craftsmen and technicians already here: 80 per cent of our crew on *Cocoon 2* is local. That guy there - Petrie points to a man wrestling a giant reflector sheet into place - worked with Elia Kazan in New York on movies like *On The Waterfront* and *A Streetcar Named Desire*. Now he's come down to Florida for the sun. And there are lots more like him."

To show that Miami was not entirely turned over to sun-seeking sequels sired by Hollywood, Renick sped me off to the city's own newest studio complex, Lightbulb Studios in West Miami, founded three years ago by real-estate millionaire Frank Tolin, has already hosted half-a-dozen feature productions including *Making Mr Right* and Disney's *Fight Of The Navigator*.

It has four medium-large sound stages. But the main attraction is its sound and visual technology. American cinema's latest gory Special FX bonanza, *The Untouchables* was shot here; so was Don ("Miami Vice") Johnson's hour-long rock video, *Heartbeat*. The studio has \$25m-worth of hi-tech equipment.

None of the developments in Miami alone, though, would do much to shift the ground in the

American film-making scene. Hollywood would still be unsassailable were it not that further north in Florida, Tinseltown itself is starting to plant startling footprints. These are the new Universal and Disney-MGM studios, the latter built by and for

'Florida is going to get a lot of the runaway production that has been going to Canada recently'

Disney but incorporating MGM's name because of a contract to use scenes and characters from the MGM film library in the new studio tour. They represent the first-ever major collaboration by Hollywood outside Hollywood.

Flanking the three-lane lead-road to Disneyworld's Magic Kingdom theme park stands a 130m water tower topped with a pair of giant mouse ears, each weighing 5,000lbs. This monument, nicknamed by Disney employees the "Barfil Tower", marks the site of the new studio complex, covering 100 acres and costing \$400m.

When I was shown round, the place looked like something from the pyramid-building scenes in *The Ten Commandments*. Near the completed sound stages, under a broiling Florida sun, an army of bronzed workers sweated to raise the giant metal skeleton which will form the framework for Disney's special stunt-show stadium, "Catastrophe Canyon".

Taking charge of the studios will be Robert M. Allen who has been with Disney for 12 years, most recently as manager of media productions at Disneyworld. "People are starting to talk about Hollywood East," says Allen. "But I think that's some way down the line. We'll settle for Toronto South at present; Flo-

rida is going to get a lot of the runaway production that's been going to Canada recently. The weather's better and Florida also has unique advantages that Hollywood doesn't."

Florida's reputation for conservatism is a time-honoured one. Just how welcome, even today, does Allen think "movie people" will be in a state strong on reactionary politics, bible-belt religion and retirement-home demography? "Florida's probably more liberal than most southern states," he says. "Ever since the state began to switch from an agricultural economy to one based on tourism and services, you've had an influx of new people, polyglot people, and towns like Orlando have become much more liberalised."

"If you want me to tell you where I think Florida will be in the film world of the future, I think Hollywood will stay at the top for at least 20 years. Before that, we may overtake New York as the second centre."

Also lumbering up for the race is Universal Pictures. Like Disney, Universal's new 400-acre site will comprise a fully operational TV and movie-making facility with a special studio tour, based on its own pioneering tour in L.A. In charge of production will be vice-president and studio manager Norman Rice, who has been involved with the project since its inception. He has no doubt about the reasons for the California exodus. "The whole climate is different here," he says. "Not just the weather but the bureaucratic climate, too. In California, you need a new permit for every new location you shoot in."

And Florida's long-term future as a film centre? "In five to eight years, I believe there will be two major film-making areas in this country," Hollywood and Orlando, says Rice. The only person who disagrees with this is Senator Dick Teuch. He thinks it will be Hollywood, Orlando and Miami "because all you have to do is take a look. Miami itself is a film set - the best one in the world."

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CHRISTIE'S WINE DEPARTMENT
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Everything you wanted to know

AS WITH HIS other writings, Robert Parker's *The Wines of the Rhine Valley and Provence* (Dorling Kindersley, 459pp, £14.95) is a tour de force. The most comprehensive work on the region yet published, it appears when the finer Rhônes are in increasing demand, partly because their quality has improved and partly because they are priced moderately and provide some alternative to the expensive Côte d'Ors, particularly the reds.

Moreover, as most of us are less likely to be familiar with estate and grower names than we may be with those of Burgundy or Bordeaux, it is invaluable to have such comprehensive coverage as here. For each district there is an introduction and a map showing the leading villages, followed by detailed vintage notes. Then there is Parker's starred rating of the various estates and merchants, with appreciations of their wines listed alphabetically. For example, full reports on 46 Châteauneufs and short notes on 17 more, plus full evaluations of 16 producers of Hermitage.

As Nicholas Faith observes at the start of *The Story of Champagne* (Hamish Hamilton, 246 pp, £17.95) this is "a serious drink which is usually consumed carelessly." Yet, for most of us, this very complicated wine probably is the most expensive we ever buy, so it is worth knowing something about its interesting historical past, its changing present, and how it is made and should then be drunk. To provide this, Faith has delved into the literature and archives and talked with many people in the champagne world.

Champagne, more or less as we know it today, was not made until the second half of the last century when the British were the principal consumers of what was, until 1914, essentially an export product. The total of 10.75m bottles imported by the UK in 1898 was not surpassed until 1984!

Most of the book is a history of champagne, which Faith recounts vigorously and enter-

Wine writer Edmund Penning-Roswell casts an eye over the latest books on the subject and finds plenty to his taste



tainingly. His account of the celebrated "vignerons' revolt" in 1911, caused largely by the import of cheap still wines from other regions, is the romantic story of the Maitly co-operative, formed by returned *poilus* in their struggle to sell their grapes to a depressed trade.

Faith describes well, and by no means uncritically, the extraordinary developments of the past 20 years, including sales more than doubled to last year's 218m bottles, the trend towards larger groupings, and the influx of outside capital. A vital factor (of which not much is made) in the domestic market today is the importance of the *manipulants-recolants*, the growers who market their own champagne and who account for nearly half its sales.

Faith suggests they largely will disappear, but this is unlikely for they total nearly a third of the 17,000 growers, their numbers still are increasing, and the French love a *petit fournisseur* from whom they can buy champagne direct at less than half the price of the *grandes marques*.

The entry of Spain into the European Community - where it has the largest vineyard area and the third-biggest production - has altered the perspective of its wines. Now, it has a serious wine law and, already, 30 denominations of origin.

Apart from Rioja, which has achieved a spectacular success, and isolated pockets of excellence such as the Torres wines of Catalonia, it has been largely a peasant industry dominated by the co-operatives without which there hardly would be any wine industry at all in the huge areas of La Mancha and Valdepenas. But La Mancha whites are becoming fresher and the Tarragona reds lighter, and Tony Lord's *The New Wines of Spain* (Christopher Helm, 148pp, £12.95) provides a timely, comprehensive account of the wines in nine

extended meals that only the French can lay on.

■ *Janet Robinson on the Demon Drink* (Mitchell Beazley, 208 pp, £3.95) appears at a good time, for there have been exhortations on both sides of the argument about the effects of alcohol. Hitherto, the wine trade on both sides of the Atlantic has been defensive - and ineffectual.

Most of us want to know what is "safe" and she provides an answer. A unit of alcohol, measured scientifically, is half a pint of beer, a ninth of a bottle of 12-degree table wine, a 15th of a bottle of fortified wine, and just under an English pub measure of spirits. The medical recommendation is no more than 21 units a week for a man (2% bottles of table wine) and 14 for women (1% bottles). The top, hazardous limit is 50 units and 34 units respectively.

This is by no means a doom-laden book and Robinson takes an objective, closely-researched, factual line. There are positive aspects of wine drinking: moderate drinkers have fewer heart attacks, it is relaxing, has good social effects, is a sedative rather than a stimulant, and one eminent doctor believes it better than the regular use of sleeping pills or tranquillizers.

It is perhaps encouraging (if not to the trade) that alcoholic consumption in the UK is thought to have peaked. Nevertheless, Britons in 1988 spent more on drink than on clothes or on running cars and more than half their outlay on food.

Apart from a mass of facts and figures, there are chapters on drinking throughout the ages and how drinking is viewed and practised in various countries (sinful in the north, carefree in the south). Incidentally, Robinson attempts to scotch a probably common view that we scribbles about wine "have a lovely time" with free access to so many alcoholic drinks.

As someone who regularly has to taste more than 30 different wines a day and write about them afterwards, I can't wait for an anti-intoxicant to come on the market. In my experience, the alcoholic content of wine is one of its few inconveniences as a subject for study.

This is a fascinating, if formidable, work and it is presciently that so prominent a wine writer should have taken time off to discuss in depth what might be summarised as the alcohol problem.

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July 16 1988

WEEKEND FT

SPORT

Golf: the Open championship/Ben Wright

A crying need to respect tradition

'Royal Lytham's eighth Open will be its last unless the Royal & Ancient upgrades'

THE ROYAL and Ancient Golf Club of St Andrew's has become the victim of its own success...

Royal Liverpool Golf Club at Hoylake, Cheshire, became the first to fall by the wayside...

In short, Royal Lytham's eighth Open, the 17th in all, will almost certainly be its last unless the Royal & Ancient decides to upgrade its pride and joy...

From a very selfish point of view, I would like to see the Open attendance limited like this every year...



Well, I'd play it this way... Spain's Severiano Ballesteros talks tactics with his new caddy Ian Wright

Alas, a return to the scene of Max Faulkner's Open triumph at Royal Portrush in 1951 is probably an impossible dream...

But, judging by the type of rufians who used never to frequent British golf tournaments and who now abound at the Open...

coverage that limited Open ticket sales are much more feasible in Britain than in the US...

The Open is easily the best international golf show on earth. It's the word "show" that bothers me...

from elbowing its way through the turnstiles. BBC Television puts out so many hours of comprehensive

coverage that limited Open ticket sales are much more feasible in Britain than in the US...

lic's attention span has become strictly limited - which is no help to golf.

Where does the Royal & Ancient go from here? If I was at the helm, which thankfully I am not, I would probably establish a championship rota that comprised two courses north of the border...

lic's attention span has become strictly limited - which is no help to golf.

Having said all this, in what is intended to be a spirit of constructive criticism, I have to admit that the Open championship is easily the best international golf show on earth.

Where does the Royal & Ancient go from here? If I was at the helm, which thankfully I am not, I would probably establish a championship rota that comprised two courses north of the border...

Soccer/Michael Thompson-Noel

The revolution is coming

'How swiftly the sins of the League have been buried by an avalanche of abuse'

IF I had a pound for every half-baked objection, every momentary whinge, that has been heaped on this revolution...

The trouble, I suppose, is that a really big story should not be left to specialists - in this instance, that mournful branch of the sportswriting trade whose affliction is to monitor developments in English League soccer...

They have been helped in their pondering by the offer of a great deal of money from ITV, which is merely reacting to the prospect of broadcasting deregulation...

Has everyone forgotten that English League soccer is supposed to be a disgrace - reactionary, unwieldy, unimaginative, severely under-capitalised, unable to attract the best of top playing talent...

A League official once told me that "mathematically, we can show that the ideal number of English League clubs is one."

FT CROSSWORD No.6,683

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday July 27, marked Crossword 6,683 on the envelope...

A crossword puzzle grid with numbers 1 through 27 indicating starting positions for words.

A collection of crossword clues and solutions, including '1 Helper in cellar? (4,5)', '2 Something for watering with alcohol in the way of water? (6)', etc.

SATURDAY TELEVISION AND RADIO

A detailed schedule of television and radio programs for Saturday, including BBC1, BBC2, Channel 4, Central, and Yorkshire.

SUNDAY

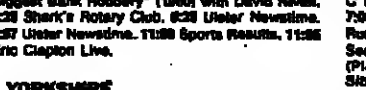
A detailed schedule of television and radio programs for Sunday, including BBC1, BBC2, Channel 4, Central, and Yorkshire.

RADIO

A detailed schedule of radio programs for Saturday, including BBC Radio 2, BBC Radio 3, and BBC Radio 4.

SUNDAY

A detailed schedule of radio programs for Sunday, including BBC Radio 2, BBC Radio 3, and BBC Radio 4.



Toshiro Mifune stars in Seven Samurai, C4, 10.30pm, Sun

A collection of crossword clues and solutions, including '1 This language is partly common (5)', '2 Don't stop 'er going into the ring, say, to hold communication? (6,5)', etc.

Handwritten signature or text at the bottom of the page.